



New Mortgage Servicing Rules Small Servicers

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What is a Small Servicer?

A Small Servicer is an entity that:

- (1) Services, together with any affiliates, 5,000 or fewer mortgage loans for all of which the entity (or an affiliate) is the creditor or assignee,**
 - (2) Is a Housing Finance Agency, or**
 - (3) Is a nonprofit that services 5,000 or fewer mortgage loans, including any mortgage loans serviced on behalf of associated nonprofit entities, for all of which the servicer or an associated nonprofit entity is the creditor. (24 CFR § 266.5)**
- *Note: If you service any mortgage loans you (or an affiliate) did not originate or do not own, you do not qualify as a small servicer, even if you service 5,000 or fewer loans overall.***

Small Servicer Determination

Loans Included (Part §1026 - Interpretations 41(e)(4)(ii))

Loans* that are counted toward 5,000 loan threshold include:

- All mortgage loans serviced by the servicer and any affiliates except for those specifically exempted
- Any mortgage loans acquired as part of a merger or acquisition

*Loans refers to a closed-end, consumer credit transaction secured by a dwelling.



Small Servicer Determination

Loans Excluded (§1026.41(e)(4)(iii))

Loans that are not counted toward 5,000 loan threshold include:

- Reverse Mortgages
- Mortgage loans voluntarily serviced for an unaffiliated entity for which no compensation is received (charitably serviced loans)

Small Servicer Determination

- Made as of January 1st of each year
- A servicer that crosses the "5,000 or less" threshold, has six months or until the next January 1st (whichever is later) to comply with any requirements for which the servicer is no longer exempt as a small servicer

Small Servicer Exemptions

What Servicing Rule provisions do not apply to Small Servicers?

- Periodic statements provisions
- General servicing policies, procedures, and requirements
- Early intervention with delinquent borrowers
- Continuity of contact with delinquent borrowers
- Loss mitigation procedures (except dual tracking provisions)
- Force-placed insurance provisions where a servicer could continue the consumer's existing hazard insurance coverage by advancing funds to escrow under certain circumstances (when the cost of force-placed insurance is less than the cost of advancing for hazard insurance).

Small Servicers Must Comply With the Following Mortgage Servicing Rules Provisions:

CFPB mortgage rule exclusion for small servicers is not a free pass.

- **The ARMs disclosure provisions**
- **The prompt crediting and payoff statement provisions**
- **Force-placed insurance notice requirements**
- **The error resolution and information request provisions**
- **The loss mitigation 120-day pause rule**

Compliance Best Practices

- **View CFPB's website for compliance information**
- **Know your Institution**
 - What is the work flow and process (who does what and when)?
 - Are all servicing functions centralized no matter which department originated the loan?
- **Form an in-house team that meets regularly regarding compliance**
- **Involve bank management**
- **Stay informed through FDIC and State League/Association for compliance assistance**
- **Review all policies and procedures regularly**
- **Establish a timetable with achievable deadlines – for upcoming compliance regulations and stick to it**
- **Ask if there are any requirements not being addressed or handled appropriately**
- **Determine what CMS enhancements may be appropriate for your institution, both formally and informally**

Resources



CFPB Dodd-Frank Mortgage Rules Readiness Guide --

http://files.consumerfinance.gov/f/201409_cfpb_readiness-guide_mortgage-implementation.pdf

For email updates about Bureau regulations and when additional resources are made available, submit your email address within the “Email updates” box at: www.consumerfinance.gov/regulatory-implementation

Submit questions to: CFPB_reginquiries@cfpb.gov or call 202-435-7700

Small Entities Guide TILA –RESPA --

http://files.consumerfinance.gov/f/201401_cfpb_small-entity-compliance-guide_tila-respa.pdf

(CFPB Quick Reference Guide (Showing coverage of the mortgage servicing rules) -- http://files.consumerfinance.gov/f/201312_cfpb_servicing-applicability-comparison-chart-reg-x-and-z.pdf