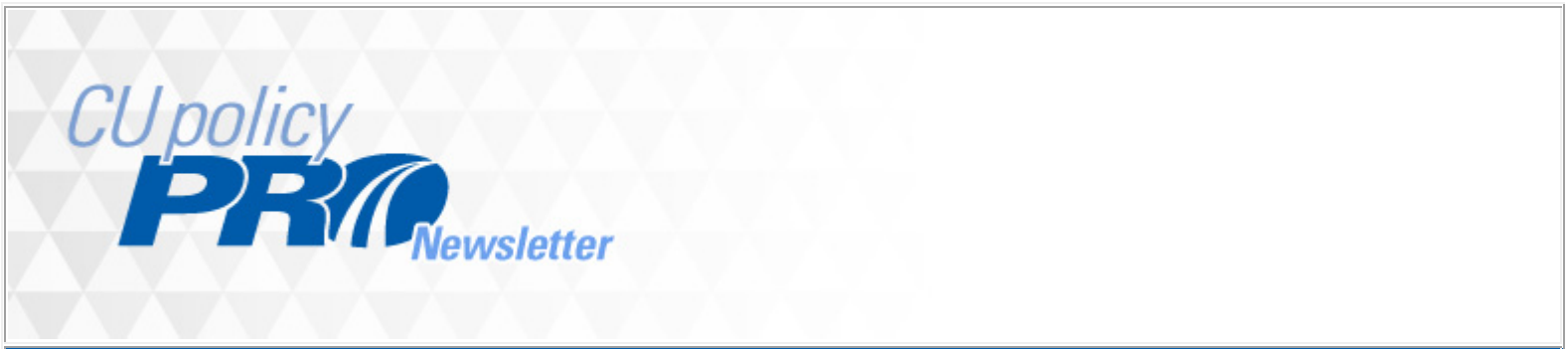

February 2014

Dear CU PolicyPro Clients,

We are already working on the next content update, which should be released by the end of March. In the meantime, we hope everything is going well, and if you have any questions or need any assistance, please do not hesitate to contact us!

In this edition:

- Content FAQs
- Technical FAQ
- Monthly OPS Notes Release: **Foreclosure**
- Questions?

Content FAQs

Question: Which loans does the CFPB Mortgage Servicing Rule apply to?

Answer: Generally the Mortgage Servicing Rules apply to closed end consumer credit transactions that are secured by a dwelling and which the credit union services.

Question: What parts of the Mortgage Servicing Rule apply to all servicers, regardless of size?

Answer: There are several sections of the rule that apply to all servicers; including:

- The credit union must make disclosures in connection with the initial reset of an adjustable-rate mortgage (ARM) and each time an interest rate adjustment results in a payment change.

- The credit union must credit a periodic payment to the member's loan account as of the day of receipt, except when a delay in crediting does not result in any charge to the member, or in the reporting of negative information to a consumer reporting agency.

- If a member makes a written request for a payoff statement, the credit union must provide the statement within 7 business days. If the credit union is not able to provide the statement within 7 business days because the loan is in bankruptcy or foreclosure, the loan is a reverse mortgage or shared appreciation mortgage, or because of natural disasters or other similar circumstances, the payoff statement will be provided within a reasonable time.

- The credit union must follow the limitation guidelines from the Mortgage Servicing Rule when force placing insurance on a member's property.

- The Mortgage Servicing Rule requires that the credit union inform members of the procedures for submitting written notices of errors and written information requests. If a member notifies the credit union that they believe there has been an error relating to their mortgage loan the requirements the Mortgage Servicing Rule provides specific requirements for all mortgage loan servicers.

- The credit union cannot make the first notice or filing for any judicial or non-judicial foreclosure process until the consumer is more than 120 days delinquent.

Technical FAQ

Question: Can I use CU PolicyPro to keep track of my procedures?

Answer: Many credit unions use CU PolicyPro to manage their procedures. Here are the two most common ways credit unions incorporate procedures into CU PolicyPro:

1. **Create a new chapter for sets of procedures.** A new chapter can be added by creating a new chapter folder (something divisible by 1000, like 12000, 13000, etc). Some credit unions try to align it by adding 20,000 to the policy number (example: the Policy for Auto Loans is 7205, and the Procedure would be 27205). Because 10000 and 11000 are already in use for the model policies, it is recommended to add 20,000 instead of 10,000. This method allows you to have a some correlation between where to find the policy and the related procedure; and by putting procedures in their own chapter folder, publishing is really easy – you can publish procedure manuals, or put the related policies and procedures together in one published manual, but the two are still distinct and separate from each other.

2. **Upload procedure documents to the system through the STORAGE area and post them on the home page.** This often works very well and is easy because you don't have to do anything special to the existing procedure documents. However, if you have many separate documents for procedures, it can be hard to post them all on the home page. Also, remember if the source document is updated, you have to re-upload it to the system, or users accessing the system may be using out of date information.

To view more Frequently Asked Questions, please visit the CU PolicyPro Support Site.

If you need assistance, please contact the CU PolicyPro Support staff at hrsupport@cusolutionsgroup.com.

Monthly OPS Notes Release: Foreclosure

In the last two months, foreclosures in the United States have increased since beginning to decline a year ago. This is surprising due to implementation of the new Mortgage Servicing Rules which took effect on January 10, 2014. One out of every 1,058 homes is currently in foreclosure (RealtyTrac, 2014). In January the highest foreclosure rates occurred in:

1. Florida
2. Nevada
3. Maryland
4. Illinois
5. New Jersey

Foreclosure has generally been a state issue, until the Dodd-Frank Wall Street Reform and Consumer Protection Act required mortgage servicing regulations be enacted to better protect American consumers. The Mortgage Servicing Rule, published by the Consumer Financial Protection Bureau (CFPB), is based on the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Dodd-Frank Act amended the Real Estate Settlement Procedures Act (RESPA) of 1974, which is implemented by Regulation X, and the Truth in Lending Act (TILA), which is implemented by Regulation Z, with regard to the servicing of certain residential mortgage loans. The Consumer Financial Protection Bureau issued rules in January 2013 to implement these Dodd-Frank Act amendments to RESPA and TILA.

The Mortgage Servicing Rule does have a small servicer exemption that makes it easier for many credit unions to comply with the Consumer Financial Protection Bureau (CFPB) requirements. The credit union qualifies as a small servicer if:

- The credit union, together with any affiliates, services 5,000 or fewer mortgage loans, and is the creditor or assignee for all of them; or
- The credit union is a Housing Finance Agency, as defined in 24 CFR 266.5.

If the credit union services any mortgage loans it did not originate or does not own, the credit union does not qualify as a small

servicer, even if the credit union services 5,000 or fewer loans overall.

All credit unions, whether or not they are small servicers, must follow two new regulatory requirements where foreclosure is concerned:

- The credit union cannot make the first notice or filing required to foreclose unless a member's mortgage loan obligation is more than 120 days delinquent; and
- The credit union cannot move for foreclosure judgment or order of sale, or conduct a foreclosure sale, if a member is performing pursuant to the terms of a loss mitigation agreement.

When the various CFPB rules went into effect, CU PolicyPro began providing policies structured for smaller credit unions to make it easier to implement the requirements for these new policies. As an example: Policy 7360 is the *Mortgage Servicing Policy*, and Policy 7361 is the *Small Servicer Mortgage Servicing Policy*. Both address the policy requirements based on the very different requirements for different sized servicers of mortgage loans.

It is important that your credit union makes a determination about qualifying for the small servicer exemption and then adopt policies that reflect the type of servicer they are, based on the CFPB Mortgage Servicing Rules. To assist you in making this determination and implementing the Rule the CFPB has provided several resources:

- Small Entity Compliance Guide for the 2013 Real Estate Settlement Procedures Act (Regulation X) and Truth in Lending Act (Regulation Z) Mortgage Servicing Final Rules;
- Mortgage Servicing Quick Reference Chart;
- YouTube Instructional Video; and
- Implementation Support Page.

This rule became effective on ***January 10, 2014***.

A copy of the rule can be found in the Federal Register.

This edition of OPS NOTES was prepared by the Michigan Credit Union League.

Questions?

If you have any questions regarding the CU PolicyPro content, or questions on how to use the system, please contact hrsupport@cusolutionsgroup.com.

If this information was forwarded to you and you'd like to be on the distribution list to receive information and updates related to CU PolicyPro, contact hrsupport@cusolutionsgroup.com.

Thanks and have a great week!