



March 16, 2015

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552

RE: Docket No. CFPB-2014-0033, RIN 3170-AA49
Amendments to the 2013 Mortgage Servicing Rules under the Real Estate Settlement Practices Act (Regulation X) and the Truth in Lending Act (Regulation Z)

VIA ELECTRONIC MAIL: www.regulations.gov

Dear Ms. Jackson:

The Michigan Credit Union League (MCUL), the statewide trade association representing 98% of the credit unions located in Michigan and their 4.7 million members, appreciates the opportunity to comment on the Consumer Financial Protection Bureau's (CFPB) proposal regarding amendments to the 2013 Mortgage Servicing Rules under Real Estate Settlement Practices Act (Regulation X) and the Truth in Lending Act (Regulation Z).

The MCUL appreciates the continued efforts of the CFPB to consider implications of final rules and its willingness to provide clarification and guidance to assist credit unions with regulatory relief. However, the MCUL is concerned with the impact to credit unions regarding the recently proposed amendments relating to the 2013 Mortgage Servicing Rules and requests the CFPB consider the burden that these revisions will have on credit unions as well as the inconsistencies or ambiguities these rules will create vis-a-vis other existing laws and regulations.

Successor in Interest

The MCUL understands the desire of the CFPB's expansion of the definition of successor in interest to align with protected transfers provided for under Garn St. Germain Act such as inheritance from a family member or upon the death of a joint tenant, through a divorce or legal separation, through a family trust or through a transfer from a spouse or from a parent to a child.

The CFPB is proposing that all Mortgage Servicing Rules would apply to successors in interest regardless of whether the successor in interest assumed the obligations under the mortgage loan. The proposed rules would require mortgage servicers to provide confirmed successors in interest with periodic statements from mortgage servicers in accordance with Section 1026.41 of Regulation Z. Additionally, under the proposed Section 1026.41(a)(11), a "non-obligor successor in interest" is defined as a "consumer." However, credit unions are subject to the privacy requirements of the Gramm-Leach-Bliley Act (GLBA) and GLBA does not define a successor in interest that is not an obligor on a mortgage loan as a "customer" or a "consumer." Periodic statements contain non-public information such as customer account numbers. Providing successors in interest with periodic statements under the proposed CFPB rules without obtaining the loan obligor's consent would be a violation of GLBA.

Additionally, the CFPB is proposing that mortgage servicers track and maintain records for inquiries made by potential, non-confirmed successors in interest regarding inquiries. Such tracking is an additional burden that would require new resources to ensure compliance, particularly for small financial institutions. The MCUL believes that it would be more appropriate for credit unions to only track confirmed successors in interest.

Loss Mitigation

The CFPB is proposing an amendment to require mortgage servicers to evaluate a borrower's request for loss mitigation more than once during the life of the loan, provided that the borrower has brought the loan current since the last loss mitigation application. This proposal is reasonable, to the extent the CFPB is willing to limit the number of requests allowed within a specific time period. The MCUL believes that it would be reasonable to require a minimum of 12 months between loss mitigation application requests. Putting parameters on such requests would prevent servicers from receiving a request for loss mitigation upon the expiration of a current workout or loss mitigation situation.

Additionally, under the proposed rule, the CFPB wishes to mandate that mortgage servicers respond in writing acknowledging receipt of a loss mitigation application. This increased paperwork is an additional burden on mortgage servicers and would require the servicer to allocate more resources to comply. When a credit union member has reached the point of completing a loss mitigation application, contact between the member and the credit union has most likely occurred on multiple occasions. Credit unions have close relationships with their members. As such, a member needing to complete a loss mitigation application was most likely directed to the application process by a credit union staff member. The CFPB's written acknowledgement for loss mitigation creates additional cost and work for credit unions, diverting resources from member services. The MCUL encourages the CFPB to not require such a mandate.

Force-Placed Insurance

The MCUL is supportive of the CFPB's revisions regarding notice disclosures pertaining force-placed insurance. This clarification allows credit unions to better communicate an alternative method of force-placing hazard insurance on collateral that would alleviate confusion for our members who have insufficient coverage. The MCUL is generally supportive of including account numbers on such forced-placed disclosures so long as such requirement is not mandated. Our credit unions take great care in protecting member's non-public information. The MCUL believes that a credit union should be allowed to exercise discretion when determining whether or not an account number should be included on a notice.

Periodic Statements

The CFPB is proposing to require mortgage servicers to provide modified periodic statements or coupon books, as applicable, to consumers that have filed for protection under Federal bankruptcy law. When a consumer files for bankruptcy protection under Federal law, they are protected from the collection of creditors by the automatic stay granted under 11 U.S.C. §362. While the CFPB is proposing that the periodic statement be modified in a manner as to not conflict with any existing bankruptcy laws, the MCUL is still concerned about potential risks to credit unions that could be viewed as a violation of the automatic stay.

Additionally, the MCUL is concerned with operational difficulties that may occur as a result of adhering to the proposed mandate. Many credit unions turn off notifications and statements to prevent notices from being automatically generated and sent to members under bankruptcy protection. Depending on how a credit union's processing system is setup, there could be functional difficulties with allowing periodic statements and prohibiting the origination of other communications such as default notices. Additionally, credit unions will have to expend additional costs and resources in preparing or modifying periodic statements to send to members in bankruptcy.

The MCUL requests the CFPB reconsider such a mandate as it could potentially place a credit union in a compromising position, where a credit union could potentially be found to be in violation of the automatic stay under 11 U.S.C. §362 required by the bankruptcy law.

Small Servicer

The MCUL appreciates the CFPB taking further steps to offer continued regulatory relief to small servicers; allowing small servicers to exclude certain seller-financed transactions from the 5,000 loan limit is a positive step. However, the MCUL believes the CFPB could do more to have a greater impact on small servicers and their continued struggles to keep pace with the ever changing regulatory environment. The MCUL urges the CFPB to consider increasing the loan limit threshold to 10,000 to allow more credit unions to qualify as a small servicer and partake in the exemption benefits the CFPB has offered to small institutions.

Conclusion

The MCUL appreciates the CFPB's ongoing efforts to reassess the impacts the mortgage servicing rules has on financial institution. Additionally, the MCUL appreciates the opportunity to comment on the proposed rules and provide incite as to the impacts that our credit unions will face as a result of such proposed rules. Credit unions are trusted source of consumer home financing that is conducted on fair and reasonable. Providing exemptions and continued regulatory relief for credit unions is vital to ensure that credit unions can continue to provide access financial services to their members and communities.

We appreciate the CFPB's willingness to consider our comments and remain available for further discussion.

Sincerely,

A handwritten signature in black ink, appearing to read 'K.R.', is positioned below the word 'Sincerely,'.

Ken Ross
Executive Vice President & Chief Operating Officer