

**UNITED STATES OF AMERICA
CONSUMER FINANCIAL PROTECTION BUREAU**

ADMINISTRATIVE PROCEEDING
File No. 2015-CFPB-0019

In the Matter of:

**RESIDENTIAL CREDIT SOLUTIONS,
INC.**

The Consumer Financial Protection Bureau (Bureau) has reviewed certain mortgage servicing practices of Residential Credit Solutions, Inc. (Respondent) and has identified the following law violations. First, Respondent has committed unfair acts or practices by not honoring In-Process Modifications (as defined below) that consumers had obtained from their prior servicers. Second, Respondent has committed deceptive acts or practices by making misrepresentations to consumers regarding their payment obligation and the status of their loans. Third, Respondent has committed deceptive acts or practices by misrepresenting that delinquent consumers would receive a refund for an escrow surplus within 30 days. Fourth, Respondent has committed unfair acts or practices by requiring consumers to waive all defenses in any foreclosure proceeding as a condition of entering into a repayment plan. Fifth, Respondent violated the Gramm-Leach-Bliley Act (GLBA), 15 U.S.C. § 6803 and its implementing regulation, Regulation P, 12 C.F.R. § 1016, by failing to provide the required privacy notice to its customers. Under Sections 1053 and 1055 of the Consumer Financial Protection Act of 2010 (CFPA), 12 U.S.C. §§ 5563, 5565, the Bureau issues this Consent Order (Consent Order).

I

Jurisdiction

1. The Bureau has jurisdiction over this matter under sections 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563 and 5565 and the GLBA, 15 U.S.C. § 6801, *et seq.*, and Regulation P, 12 C.F.R. § 1016, the GLBA's implementing regulation.

II

Stipulation

2. Respondent has executed a "Stipulation and Consent to the Issuance of a Consent Order," dated July, 29, 2015 (Stipulation), which is incorporated by reference and is accepted by the Bureau. By this Stipulation, Respondent has consented to the issuance of this Consent Order by the Bureau under sections 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563 and 5565, without admitting or denying any of the findings of facts or conclusions of law, except that Respondent admits the facts necessary to establish the Bureau's jurisdiction over Respondent and the subject matter of this action.

III

Definitions

3. The following definitions apply to this Consent Order:
 - a. "Affected Consumers" includes consumers with first- or second-lien residential loans that were transferred to Respondent between January 1, 2009 and July 30, 2015 and were subject to the conduct described in Section IV relating to In-Process Modifications.
 - b. "Effective Date" means the date on which the Consent Order is issued.
 - c. "Enforcement Director" means the Assistant Director of the Office of Enforcement for the Consumer Financial Protection Bureau, or his/her

delegee.

- d. “In-Process Modification” refers to a trial modification that is already underway but has not yet been made permanent when the servicing rights to the loan in question are transferred to another servicer. The term is limited to circumstances where the consumer is performing under the trial modification as of the date of transfer.
- e. “Involuntary transfer” means a transfer when the transferor servicer is in breach of, or default under, its servicing agreement for loss mitigation related-servicing performance deficiencies, or is in receivership and is required to transfer servicing to another servicer in thirty (30) days or less by an unaffiliated investor, or a court or regulator with jurisdiction.
- f. “Loss mitigation” means modified payment arrangements, trial, permanent and In-Process Modifications, forbearance plans, short sales, deed-in-lieu agreements and any other non-foreclosure home retention or non-retention option offered by the owner or assignee of a mortgage loan that is made available to the consumer through a prior servicer or Respondent.
- g. “Portfolio” means a group of loans for which the mortgage servicing rights are transferred to or from Respondent pursuant to a single contract for the sale or transfer of mortgage servicing rights.
- h. “Regional Director” means the Regional Director for the Southeast Region for the Office of Supervision for the Consumer Financial Protection Bureau, or his/her delegee.
- i. “Related Consumer Action” means a private action by or on behalf of one or more consumers or an enforcement action by another governmental agency

brought against Respondent based on substantially the same facts as described in Section IV of this Consent Order.

- j. “Respondent” means Residential Credit Solutions, Inc., and its successors and assigns.
- k. “Servicing” means collecting, receiving and applying payments made on a consumer’s account pursuant to the terms of the loan agreement, such as payments of principal, interest, taxes, and fees and the performance of all tasks related to administering loan accounts.

IV

Bureau Findings and Conclusions

The Bureau finds the following:

- 4. Respondent is a mortgage servicer headquartered in Fort Worth, Texas. As of April 2014, Respondent had approximately \$94.5 million in total assets.
- 5. Respondent is a “covered person” as that term is defined by 12 U.S.C. § 5481(6).
- 6. Since at least 2009, Respondent has operated as a mortgage servicer. As such, Respondent has been responsible for, among other things, creating and sending monthly statements to consumers, collecting proper payment amounts, processing payments, ensuring that the mortgaged property is insured, and processing property tax payments.
- 7. Respondent is a special servicer of “credit-sensitive” residential mortgage loans, i.e. loans with late payments or loans that are at high risk for default. Since 2010, RCS has been a special servicer for roughly 75,000 loans. The loans Respondent services typically were serviced previously by other servicers and transferred for special servicing to Respondent by investors, including Fannie Mae, that owned or had guaranteed these mortgage loans or bore the risk of the mortgage loans defaulting.

8. Many of the borrowers whose loans have been serviced by Respondent have experienced economic hardship and are therefore candidates for some form of loss mitigation. RCS offers loan modifications under the U.S. Department of the Treasury's Home Affordable Modification Program (HAMP). RCS also offers other loan modification programs offered by various investors, referred to as proprietary modifications. Respondent's duties in these regards have included soliciting borrowers for these loss mitigation programs; collecting loss mitigation applications; decisioning loss mitigation applications to determine if borrowers were qualified for a loss mitigation program; and executing loss mitigation programs for qualified borrowers.
9. The HAMP loan modification program offers incentive payments to servicers, investors and homeowners to encourage sustainable loan modifications. To obtain a permanent HAMP modification, consumers must first enter into a trial period plan (TPP) with the servicer. Over the course of the TPP, the consumer is asked to make reduced payments that approximate his or her obligations under a permanently modified mortgage.
10. HAMP TPPs generally entitle the consumer to a permanent modification so long as the consumer satisfies certain conditions, one of which is timely making all trial payments.
11. Proprietary modifications are established according to investor guidelines. As a result, their terms and structure can vary from investor to investor. Proprietary modifications may also entitle the consumer to a permanent modification as long as the consumer satisfies certain conditions, one of which is timely making all trial payments.
12. Most if not all of RCS's portfolio consists of loans that were transferred to RCS from another servicer. For some of these transferred loans, the previous servicer had offered consumers TPPs prior to the transfer of their loans to Respondent. Their trial

modifications were underway as of the date of transfer, but had not yet been made permanent (In-Process Modifications).

**Findings and Conclusions as to Respondent's Failure
to Honor In-Process Loan Modifications**

13. From at least 2009 to 2013, it was Respondent's general practice not to honor previously agreed upon In-Process Modifications unless it determined, through its own analysis, that the prior servicer should have agreed to the TPP. This practice affected approximately 350 consumers.
14. RCS required a complete copy of some consumers' previous application packets to conduct its validation of an In-Process Modification. If the consumer was unable to provide a complete packet, Respondent treated the In-Process Modification as if it never existed.
15. If Respondent obtained the application packet, it ran its own analysis of the consumer's financial documents to assess his or her eligibility. Respondent honored the In-Process Modification only where it decided that the prior servicer's decision was appropriate under Respondent's interpretation of the HAMP guidelines, in the case of a HAMP TPP, or under Respondent's interpretation of the investor's criteria for a loan modification, in the case of proprietary modifications.
16. Thus, where a prior servicer failed to provide Respondent with a copy of a consumer's application packet and the consumer did not keep or was never given a copy of all their paperwork, Respondent sometimes refused to honor the agreement.
17. Consumers would have to attempt to gather the documents required for a loan

modification evaluation a second time, despite the fact that the previous servicer had already approved one.

18. Consumers affected by this practice already had a TPP at the time their loan was transferred to Respondent; and their previous servicer had already promised they would receive a permanent modification so long as they timely made their trial payments and otherwise satisfied the terms of the TPP. Respondent refused to honor that promise.
19. For In-Process Modifications that Respondent failed to recognize, Respondent treated consumers as if they were still in default, subjecting them to collection calls and assessment of late fees, and sending to them default and delinquency notices or loan modification solicitations.
20. Respondent required many consumers with In-Process Modifications to pay the original loan payment amount using the original interest rate and other terms, instead of the trial payment and new terms during the validation process. Consumers also faced additional fees as a result.
21. Respondent rejected some consumers' payments, stating the payments were insufficient to bring the account current even though the account was current under the terms of the In-Process Modification.
22. For some consumers, Respondent's insistence on validation of their TPPs extended the period when consumers were reported as delinquent, thereby adversely affecting their credit rating.
23. Many consumers' loans were referred to foreclosure during Respondent's validation process. Some of these consumers ultimately lost their homes to foreclosure.
24. Section 1036(a)(1)(B) of the CFPB prohibits "unfair, deceptive, or abusive" acts or

practices.” 12 U.S.C. § 5536(a)(1)(B). An act or practice is unfair if it causes or is likely to cause consumers substantial injury that is not reasonably avoidable and if the substantial injury is not outweighed by countervailing benefits to consumers or to competition.

25. Respondent’s practices as described in Paragraphs 13-23 caused substantial injury to consumers that was not reasonably avoidable or outweighed by countervailing benefits to consumers or to competition.
26. Thus, Respondent engaged in unfair acts and practices in violation of sections 1036(a)(1)(B) and 1031(c)(1) of the CFPA. 12 U.S.C. §§ 5536(a)(1)(B) and 5531(c)(1).

**Findings and Conclusions as to Respondent’s
Misrepresentations in Connection with Account Status**

27. Section 1036(a)(1)(B) of the CFPA prohibits “unfair, deceptive, or abusive” acts or practices. 12 U.S.C. § 5536(a)(1)(B).
28. As described in Paragraphs 19-21, Respondent has made representations to certain consumers, expressly or impliedly, about their unpaid balances, payment due dates, interest rates, monthly payment amounts, and delinquency statuses that failed to take into account the consumers’ In-Process Modifications.
29. In fact, those consumers’ obligations were subject to the terms of their In-Process Modifications.
30. Thus, Respondent’s representations, as described in Paragraph 28, constitute deceptive acts or practices in violation of sections 1031(a) and 1036(a)(1)(B) of the CFPA, 12 U.S.C. §§ 5531(a), 5536(a)(1)(B).

**Findings and Conclusions as to Respondent’s
Misrepresentations in Connection with Escrow Account**

31. Pursuant to 12 C.F.R. § 1024.17(f)(2), servicers are required, with certain exceptions, to

provide annual escrow account statements to current consumers which include the amount of any surplus funds which must be refunded to a consumer.

32. In many of the escrow statements Respondent sent to delinquent consumers, Respondent informed the consumer that he or she had an escrow surplus; and that the surplus would be refunded within 30 days. The statements identified escrow surpluses of anywhere from \$80 to \$10,000.
33. In fact, RCS's representation that these consumers would be receiving a refund was untrue.
34. Section 1036(a)(1)(B) of the CFPA prohibits "unfair, deceptive, or abusive" acts or practices. 12 U.S.C. § 5536(a)(1)(B).
35. As described in Paragraphs 32 and 33, Respondent has represented to certain delinquent consumers, expressly or impliedly, that they would receive a refund of their escrow surplus within 30 days.
36. In fact, many of those consumers had no escrow surplus and were not due to receive a refund.
37. Thus, Respondent's representations, as described in Paragraph 35, constitute deceptive acts or practices in violation of sections 1031(a) and 1036(a)(1)(B) of the CFPA, 12 U.S.C. §§ 5531(a), 5536(a)(1)(B).

Findings and Conclusions as to Respondent's Compelled Waiver

38. In certain situations, RCS offered a "Payment Plan" to consumers who have fallen behind in their payments. They allow the consumer to address the deficiency by making additional payments over a defined period of time. Such "Payment Plans" often represent a consumer's last opportunity to avoid default or foreclosure.
39. In some cases, RCS required consumers to surrender their legal rights as a condition of

receiving a Payment Plan. The consumer had to agree that “[i]n the event of the cancellation of this Payment Plan and the continuation of foreclosure proceedings, you agree to waive any and all defenses, jurisdictional and otherwise, associated with the continuation of the foreclosure proceedings and possible subsequent public auction of your property.” The consumer also had to agree “not to file any opposition to a motion for relief from the automatic stay filed on behalf of RCS” in any bankruptcy.

40. Section 1036(a)(1)(B) of the CFPA prohibits “unfair, deceptive, or abusive” acts or practices. 12 U.S.C. § 5536(a)(1)(B). An act or practice is unfair if it causes or is likely to cause consumers substantial injury that is not reasonably avoidable and if the substantial injury is not outweighed by countervailing benefits to consumers or to competition.
41. Respondent’s practice of requiring consumers to waive their legal rights as described in Paragraphs 38 and 39, caused, or was likely to cause, substantial injury to consumers that was not reasonably avoidable or outweighed by countervailing benefits to consumers or to competition.
42. Thus, Respondent engaged in unfair acts and practices in violation of sections 1036(a)(1)(B) and 1031(c)(1) of the CFPA. 12 U.S.C. §§ 5536(a)(1)(B) and 5531(c)(1).

Findings and Conclusions as to Privacy Disclosures

43. The GLBA, 15 U.S.C. § 6803, and its implementing regulation, Regulation P, 12 C.F.R. § 1016, require financial institutions to provide an annual privacy notice at least once in every 12 consecutive month period during which the institution maintains a relationship with a consumer.
44. Respondent is a financial institution as defined by the GLBA.
45. In 2011 Respondent failed to provide consumers annual privacy policy disclosures. Respondent had 38,000 loans in its portfolio at the time and nearly all should have

received an annual privacy policy disclosure.

46. Thus, Respondent violated the GLBA, 15 U.S.C. § 6803, and its implementing regulation, Regulation P, 12 C.F.R. § 1016.

ORDER

V

Conduct Provisions

IT IS ORDERED, under Sections 1053 and 1055 of the CFPA, that:

47. Respondent and its officers, agents, servants, employees, and attorneys who have actual notice of this Consent Order, whether acting directly or indirectly, may not violate sections 1031 and 1036 of the CFPA, 12 U.S.C. §§ 5531 and 5536, including through the following conduct:

- a. Failing to honor In-Process Modifications;
- b. Misrepresenting, or assisting others in misrepresenting, expressly or impliedly:
 - i. The payment obligations of a consumer who has received an In-Process Modification;
 - ii. That delinquent consumers are entitled to a refund for an escrow surplus when there is no refund available;
 - iii. Any other fact material to consumers concerning loss mitigation or servicing.
- c. Requiring consumers to waive legal defenses as a condition of receiving any form of loss mitigation, except in the context of the resolution of a pending or threatened legal action, where RCS provides clear and conspicuous disclosure of the legal defenses the consumer is waiving and an opportunity for the consumer to review such disclosures;

- d. Violating the mortgage servicing rules, 12 C.F.R. Part 1024 Subpart C; and
- e. Violating the GLBA, 15 U.S.C. § 6803, and its implementing regulation, Regulation P, 12 C.F.R. § 1016.

Data Integrity Requirement

48. Within 180 days of the Effective Date, Respondent must establish and maintain a comprehensive data integrity program (Program) reasonably designed to ensure the accuracy, integrity, and completeness of the data and other information about accounts that Respondent services, collects, or sells, including any accounts acquired by or transferred to Respondent. The Program, the content and implementation of which must be fully documented in writing, will be considered to be reasonably designed if it contains administrative, technical, and physical safeguards appropriate to the nature, size, complexity, and scope of Respondent's loan servicing activities, and shall include:
- a. The designation of an employee or employees to oversee the Program;
 - b. The maintenance of sufficient personnel that are adequately trained to perform the Program requirements in a timely and legal manner;
 - c. The identification of material internal and external risks to the accuracy, integrity, and completeness of loan servicing data that could result in material errors to consumers' accounts and assessment of the sufficiency of any safeguards in place to control these risks. At a minimum, this risk assessment shall consider risks in each relevant area of operation, including, but not limited to (1) employee training and management, (2) information systems, including network and software design, servicing transfer protocols, information processing, storage, transmission, and disposal, and (3) prevention, detection, and response to any systems failure;

- d. The completion of due diligence prior to receiving transferred mortgage servicing rights. Specifically, prior to receiving the transfer of mortgage servicing rights, Respondent shall conduct due diligence to understand and implement steps necessary to resolve issues with the type of loan level information and documentation in the transferor's possession and control, the transferor's ability to transfer the information electronically, in images, or only in paper records, material gaps in the transferor's records, and Respondent's ability to promptly process the information to be provided by the transferor, and otherwise ensure that Respondent will be able to comply with its servicing obligations with respect to every loan transferred. Respondent shall seek assurance that the transferor will transfer all material loan level information in its possession or control at or before the time of transfer.
- e. The testing, identification, and correction of material errors in the following data fields in Respondent's servicing systems of record: monthly payment amount, principal balance, interest rate, loan term, escrow account balance, suspense account balance, delinquency status, loss mitigation status, and foreclosure status (collectively, the "Tested Data Fields").
 - i. Portfolios Tested and Timing for Testing Portfolios.
 1. Testing of Portfolios Transferred After the Effective Date of this Order. In addition to the requirements in Paragraph 49 relating to loans in loss mitigation, within twenty (20) days after the transfer of any portfolio transferred after the Effective Date, or within twenty (20) days after the establishment of the Program, whichever is later, Respondent shall conduct a "Data File Review." A Data File Review

shall mean testing to examine the completeness and accuracy of loan information and to identify material errors. This shall include comparing the Tested Data Fields in Respondent's servicing systems of record as of the loan transfer cutoff date for material errors against the electronic data and the loan-level documents provided by the transferor servicer from which Respondent acquired the servicing rights to the portfolio.

ii. Percentage of Each Portfolio to be Tested.

1. All Data File Review, as prescribed in Paragraph 48.e.i., and On-Going Testing, as prescribed in Paragraph 48.e.iv., shall be statistically valid and based on an appropriate sampling methodology, such that the results from the sample can be reliably extrapolated to the loan portfolio as a whole, and shall include both random and risk-based selection criteria.
2. If a Data File Review performed pursuant to Paragraph 48.e.i. of this Order reveals a material error rate of more than 5% with respect to any Tested Data Field(s) in a portfolio, Respondent shall, within 30 days, complete a Data File Review of such field(s) for all loans in the portfolio. In the event that the full-portfolio Data File Review described in this paragraph reveals a material error rate exceeding 5% of all loans in the portfolio with respect to any of the field(s) tested under this subsection, Respondent shall perform a Data File Review of such field(s) for the entire portfolio every six months until the material error rate falls below 5%.

- iii. **Correction of Errors.** Upon completion of any Data File Review, Respondent shall correct and remediate any individual account errors identified by the Respondent, including promptly refunding or reversing any overcharges and stopping foreclosure where appropriate.
- iv. **Ongoing Testing.** Within 180 days of the Effective Date, and every six months thereafter, Respondent shall identify any portfolios serviced by Respondent for which, in the immediately preceding six months, consumers representing more than 2% of the relevant portfolio have disputed in writing the accuracy of the information in the Tested Data Fields. In the event any such portfolios exist, Respondent shall determine whether there exist any systemic issues giving rise to the disputes about errors in the accuracy of the Tested Data Fields in the portfolio and, if any errors are found, Respondent shall develop and implement a plan to correct the errors.

Provided that the requirements of this Paragraph 48.e. shall not apply to transfers when the transfer is between owners of the right to perform servicing who do not perform the servicing and there is no change in the subservicer.

- f. The design and implementation of reasonable safeguards to control the risks identified through risk assessment, and regular auditing or testing or monitoring of the effectiveness of the safeguards' key controls, system, and procedures;
- g. The regular auditing, testing, or monitoring of the effectiveness of the Program using statistically valid samples, such that the samples include both random and risk-based selection criteria and the results from the samples can be reliably extrapolated to the Program as a whole; and

- h. The evaluation and adjustment of the Program in light of the results of the required auditing, testing, or monitoring, and any material changes to Respondent's operations or business arrangements that may significantly impact the Program, or any other circumstances that Respondent knows or has reason to know may have a material impact on the integrity, accuracy, and completeness of Respondent's loan servicing process, or data and other information about accounts that Respondent services, collects, or sells.

Provided that, in the event of a conflict between this Paragraph 48 and the requirements of federal, state, or local laws or the standard provisions imposed on servicers by the Department of Treasury, Fannie Mae, Freddie Mac, Ginnie Mae, the Federal Housing Administration, the Department of Veterans Affairs, the Rural Housing Administration, and any other similar organization that may come into existence after the entry of this Order such that Respondent cannot comply with this Paragraph 49 without violating these requirements, Respondent shall document such conflicts and notify the Bureau that it intends to comply with the requirements to the extent possible.

Provided further that, in the event of an involuntary transfer to Respondent which results in a delay in the transferor's transfer of relevant information or a volume of errors in the transferor's data that prevents Respondent from being able to comply with the time limits in this Paragraph 48, Respondent shall submit a written plan to the Bureau within ten (10) days after the date of the transfer identifying the cause of the delay and setting forth the specific steps it is taking, the resources it is devoting, and Respondent's expected timeline for complying with the requirements of this Paragraph 48. If such plan is not objected to by the

Bureau within ten (10) days of the submission of the plan, Respondent must proceed to implement the plan. If the Bureau objects to the plan within ten (10) days of submission, Respondent will make reasonable efforts to amend the plan to address any objection. Respondent shall not take more than 120 days from the date of any transfer after implementation of the Program to satisfy the requirements of this Paragraph 48.

Limitations On The Transfer Of Servicing For Loans In Loss Mitigation

49. Respondent shall not transfer or acquire servicing rights for loans in loss mitigation or with a loss mitigation application pending, regardless of whether Respondent is the transferor or transferee, unless:
- a. The transferor or transferee identifies by loan number the following categories of loans at least 30 days prior to transfer, and updates such information at least 5 days prior to transfer:
 - i. Loans in any stage of pending loss mitigation, including but not limited to In-process Modifications;
 - ii. Loans approved or converted to a permanent loss mitigation outcome within 60 days prior to transfer; and
 - iii. Loans denied loss mitigation within the last 60 days prior to transfer;
 - b. The transferor agrees to make all reasonable efforts to provide the transferee all the following information in its possession or control, prior to transfer or at a minimum, agrees to provide this information by the date of the transfer: all account-level documents and data relating to loss mitigation, including a copy of the mortgage note, periodic billing statements for the two years prior to the service transfer, payment history for the two years prior to the service transfer, escrow and

suspense account information, loss mitigation applications, loss mitigation notices, documentation and information received from the consumer for purposes of evaluating the consumer for loss mitigation, any net present value or other analysis by a servicer in connection with a consumer's application for loss mitigation, loss mitigation agreements, any written communications or notes of oral communications with the consumer about the loss mitigation, and any other information needed to administer any pending loss mitigation applications or in-process modifications; and

- c. The contract for the transfer includes the following requirements:
 - i. The transferee will engage in quality control work to validate that the loss mitigation data matches the images and paper documents received, make reasonable efforts to identify missing loss mitigation data, documentation, or information and request missing information from the transferor within 15 days of transfer; and
 - ii. Within 10 days of a request from the transferee, the transferor will provide missing or incomplete loss mitigation data, documentation, or information in its possession or control;
- d. The contract for the transfer also includes the following requirements:
 - i. The transferee will honor loss mitigation agreements entered into by the prior servicer, including but not limited to In-process Modifications;
 - ii. The transferee will continue processing pending loss mitigation requests received in the transfer; and
 - iii. Within 30 days of transfer, the transferee will finish reviewing and resolve any loss mitigation request that was pending within 60 days of transfer for

which the transferee or buyer lacks clear written evidence that such request was denied, and provide the consumer an opportunity to provide any necessary missing information.

Provided, however, that the requirements of Paragraphs 49.a., b. and c. shall not apply to transfers when the transfer is between owners of the right to perform servicing who do not perform the servicing and there is no change in the subservicer.

Provided further that, in the event of an involuntary transfer to Respondent which results in a delay in the transferor's transfer of relevant information or a volume of errors in the transferor's data that prevents Respondent from being able to comply with the time limits in Paragraph 49, Respondent shall submit a written plan to the Bureau within ten (10) days after the date of the transfer identifying the cause of the delay and setting forth the specific steps it is taking, the resources it is devoting, and Respondent's expected timeline for complying with the requirements of Paragraph 49. If such plan is not objected to by the Bureau within ten (10) days of the submission of the plan, Respondent must proceed to implement the plan. If the Bureau objects to the plan within ten (10) days of submission, Respondent will make reasonable efforts to amend the plan to address any objection. In no event shall Respondent fail to honor loss mitigation agreements entered into by the prior servicer, fail to continue processing pending loss mitigation requests received in the transfer, or take more than 60 days from the date of the transfer to satisfy the requirements of Paragraph 49.

Other Loss Mitigation Requirements

50. Within 120 days of the Effective Date, Respondent must:

- a. Make its loss mitigation application available to consumers at no cost by, at a minimum, making it publicly available and readily accessible on Respondent's website and providing it upon request to consumers. The application shall identify all required documentation and information necessary to complete a loss mitigation application;
- b. Secure and maintain sufficient personnel that are adequately trained to handle loss mitigation requests in a timely and legal manner;
- c. Implement a comprehensive servicing training program to ensure adequate training for personnel;
- d. Implement and maintain a centralized document management system for tracking and storing incoming loss mitigation documents, including those submitted by consumers, staffed with sufficient personnel that are adequately trained to prevent significant backlogs and lost documents;
- e. Implement and maintain an online portal linked to Respondent's primary servicing system where consumers can check, at no cost, the status of their loss mitigation requests. The portal must, among other things:
 - i. Enable consumers to submit documents electronically;
 - ii. Provide an electronic receipt for any documents submitted; and
 - iii. Update the status of pending loss mitigation requests at least every 10 business days;
- f. Take reasonable steps to ensure that personnel assigned to consumers pursuant to the Bureau's rules relating to continuity of contact (12 C.F.R. § 1024.40) do the following:

- i. Refer and transfer consumers to a loss mitigation or other appropriate supervisor upon request;
- ii. Have access to individuals able to stop foreclosure proceedings when necessary to comply with this Order and other applicable requirements; and
- iii. Are not subject to compensation arrangements that encourage collection over loss mitigation activity.

Provided that, in the event of a conflict between Paragraphs 49 and 50 and the requirements of federal, state, or local laws or the standard provisions imposed on servicers by the Department of Treasury, Fannie Mae, Freddie Mac, Ginnie Mae, the Federal Housing Administration, the Department of Veterans Affairs, the Rural Housing Administration, and any other similar organization that may come into existence after the entry of this Order such that Respondent cannot comply with Paragraphs 49 and 50 without violating these requirements, Respondent shall document such conflicts and notify the Bureau that it intends to comply with the requirements to the extent possible.

Home Preservation Plan

51. Respondent shall establish and implement a home preservation plan (Plan) to identify and review Affected Consumers for loss mitigation options, provide for the solicitation and fast-track evaluation of loss mitigation applications, and stop pending foreclosure sales for such consumers to the extent necessary to permit the consumers to be solicited and considered for loss mitigation.
 - a. ***Convert In-Process Modifications to Permanent Modifications.*** Respondent shall promptly send a permanent modification agreement to Affected Consumers with In-Process Modifications that were fully underwritten prior to the trial period and

received all necessary investor approvals but for which the consumer did not previously enter a permanent modification agreement. Such consumers shall be converted to a permanent modification upon execution of the permanent modification documents, consistent with applicable program guidelines.

b. *Solicitation and Fast-Track Evaluation of Loss Mitigation Applications.* For any Affected Consumer who (a) is delinquent or in foreclosure as of July 30, 2015 and (b) is more than 37 days before a foreclosure sale as of the Effective Date or no foreclosure sale is scheduled (Delinquent Consumer), and is not accounted for in Paragraph a above, Respondent must:

- i. Engage in consumer outreach to obtain complete loss mitigation applications by: (1) Telephone and mail outreach to contact Delinquent Consumers and collect documents; (2) For incomplete loss mitigation applications, a telephone and mail campaign to notify consumers of the additional documents and information needed to make the loss mitigation application complete; and (3) Translation services when requested by a Delinquent Consumer or if Respondent has reason to believe that the Delinquent Consumer is not proficient in English.
- ii. Promptly evaluate Delinquent Consumers for all loss mitigation options available under applicable investor guidelines, including by: (1) Providing a dedicated team of underwriters; (2) Reviewing complete loss mitigation applications within 20 days of receipt; and (3) Clearly identifying the terms of the loss mitigation offer (such as interest rate, amortization term, balloon payments) and identifying the modified principal balance.

- c. *Stop Pending Foreclosures.* If necessary to permit Respondent to complete the actions described in Paragraphs a and b above before a foreclosure sale, Respondent shall take all available measures to postpone any foreclosure sale scheduled to occur and to prevent the entry of a foreclosure judgment or the entry of an order for foreclosure sale in connection with a foreclosure initiated with respect to the loan under consideration for loss mitigation during the pendency of the actions required in Paragraphs a and b above.
- d. Respondent may resume foreclosure activities for Delinquent Consumers if despite Respondent's reasonable efforts, including taking all steps described in Paragraph 51.b, the Delinquent Consumer (1) has not responded to Respondent's outreach effort within 30 days of Respondent's most recent attempt to contact the consumer under Paragraph 51.b; (2) the consumer has responded to Respondent's outreach efforts but has not provided Respondent with all materials necessary to permit Respondent to evaluate the consumer for loss mitigation options, notwithstanding Respondent's attempts to obtain such material pursuant to Paragraph 51.b.i.2; (3) does not execute a loss mitigation offer prior to or at the expiration of the offer; (4) the Delinquent Consumer states in writing that he or she does not want to be considered for a loss mitigation option; or (5) Respondent has evaluated the Delinquent Consumer's complete loss mitigation application for all available loss mitigation options, and (i) Respondent has determined the Delinquent Consumer does not qualify for any loss mitigation option and the time for appeal has expired or the appeal has been denied, or (ii) the Delinquent Consumer has accepted or rejected an offer of loss mitigation.

- e. The requirements of this Paragraph 51 shall not apply to any loan for which Respondent does not own the right to service or sub-service as of the Effective Date or that is not subject to foreclosure or collection activity because it has been charged off.

Provided that, in the event of a conflict between this Paragraph 51 and the requirements of federal, state, or local laws or the standard provisions imposed on servicers by the Department of Treasury, Fannie Mae, Freddie Mac, Ginnie Mae, the Federal Housing Administration, the Department of Veterans Affairs, the Rural Housing Administration, and any other similar organization that may come into existence after the entry of this Order, the National Mortgage Settlement, or applicable investor guidelines such that Respondent cannot comply with this Paragraph 51 without violating these requirements, Respondent shall document such conflicts and notify the Bureau that it intends to comply with the requirements to the extent possible.

Provided further that, nothing in this Paragraph 51 shall be interpreted to (1) limit or restrict in any way the protections provided to borrowers under the Bureau's rules relating to loss mitigation (12 C.F.R. §§ 1024.41, et seq.) or to (2) require Respondent to communicate with a borrower in a manner otherwise prohibited by applicable law, including bankruptcy law or the federal Fair Debt Collection Practices Act or any similar debt-collection-related state law. To the extent any provision of this subsection is in conflict with any provision of 12 C.F.R. § 1024.41, 12 C.F.R. § 1024.41 shall apply.

VI Order to Pay Redress

IT IS FURTHER ORDERED that:

52. A judgment for equitable monetary relief and damages is entered in favor of the Bureau and against the Respondent in the amount of \$1.5 million.
53. Within 10 days of the Effective Date, Respondent must pay to the Bureau, by wire transfer to the Bureau or to the Bureau's agent, and according to the Bureau's wiring instructions, \$1.5 million in full satisfaction of the judgment as ordered in Paragraph 52 of this Section.
54. Any funds received by the Bureau in satisfaction of this judgment will be deposited into a fund or funds administered by the Bureau or to the Bureau's agent according to applicable statutes and regulations to be used for redress for injured consumers, including, but not limited to, refund of moneys, restitution, damages, or other monetary relief, and for any attendant expenses for the administration of any such redress.
55. If the Bureau determines, in its sole discretion, that redress to consumers is wholly or partially impracticable or if funds remain after redress is completed, the Bureau will deposit any remaining funds in the U.S. Treasury as disgorgement. Respondent will have no right to challenge any actions that the Bureau or its representatives may take under this paragraph.
56. Payment of redress to any Affected Consumer under this Order may not be conditioned on that Affected Consumer waiving any right.

VII
Order to Pay Civil Money Penalties

IT IS FURTHER ORDERED that:

57. Under section 1055(c) of the CFPA, 12 U.S.C. § 5565(c), by reason of the violations of law

described in Section IV of this Consent Order, and taking into account the factors in 12 U.S.C. § 5565(c)(3), Respondent must pay a civil money penalty of \$100,000 dollars to the Bureau.

58. Within 10 days of the Effective Date, Respondent must pay the civil money penalty by wire transfer to the Bureau or to the Bureau's agent in compliance with the Bureau's wiring instructions.
59. The civil money penalty paid under this Consent Order will be deposited in the Civil Penalty Fund of the Bureau as required by section 1017(d) of the CFPA, 12 U.S.C. § 5497(d).
60. Respondent must treat the civil money penalty paid under this Consent Order as a penalty paid to the government for all purposes. Regardless of how the Bureau ultimately uses those funds, Respondent may not:
 - a. Claim, assert, or apply for a tax deduction, tax credit, or any other tax benefit for any civil money penalty paid under this Consent Order; or
 - b. Seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made under any insurance policy, with regard to any civil money penalty paid under this Consent Order.
61. To preserve the deterrent effect of the civil money penalty in any Related Consumer Action, Respondent may not argue that Respondent is entitled to, nor may Respondent benefit by, any offset or reduction of any compensatory monetary remedies imposed in the Related Consumer Action because of the civil money penalty paid in this action (Penalty Offset). If the court in any Related Consumer Action grants such a Penalty Offset, Respondent must, within 30 days after entry of a final order granting the Penalty Offset, notify the Bureau, and pay the amount of the Penalty Offset to the U.S. Treasury.

Such a payment will not be considered an additional civil money penalty and will not change the amount of the civil money penalty imposed in this action.

VIII Additional Monetary Provisions

IT IS FURTHER ORDERED that:

62. In the event of any default on Respondent's obligations to make payment under this Consent Order, interest, computed under 28 U.S.C. § 1961, as amended, will accrue on any outstanding amounts not paid from the date of default to the date of payment, and will immediately become due and payable.
63. Respondent must relinquish all dominion, control, and title to the funds paid to the fullest extent permitted by law and no part of the funds may be returned to Respondent.
64. Under 31 U.S.C. § 7701, Respondent, unless it already has done so, must furnish to the Bureau its taxpayer identifying numbers, which may be used for purposes of collecting and reporting on any delinquent amount arising out of this Consent Order.
65. Within 30 days of the entry of a final judgment, consent order, or settlement in a Related Consumer Action, Respondent must notify the Regional Director of the final judgment, consent order, or settlement in writing. That notification must indicate the amount of redress, if any, that Respondent paid or is required to pay to consumers and describe the consumers or classes of consumers to whom that redress has been or will be paid.

IX Consumer Information

IT IS FURTHER ORDERED that:

66. Respondent must provide sufficient consumer information to enable the Bureau to

efficiently administer consumer redress. If a representative of the Bureau requests in writing any information related to redress, Respondent must provide it, in the form prescribed by the Bureau, within 10 business days.

X
Reporting Requirements

IT IS FURTHER ORDERED that:

67. Respondent must notify the Bureau of any development that may affect compliance obligations arising under this Consent Order, including but not limited to, a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor company; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Consent Order; the filing of any bankruptcy or insolvency proceeding by or against Respondent; or a change in Respondent's name or address. Respondent must provide this notice at least 30 days before the development or as soon as practicable after learning about the development, whichever is sooner.
68. Within 7 days of the Effective Date, Respondent must:
 - a. Designate at least one telephone number and email, physical, and postal address as points of contact, which the Bureau may use to communicate with Respondent;
 - b. Identify all businesses for which Respondent is the majority owner, or that Respondent directly or indirectly controls, by all of their names, telephone numbers, and physical, postal, email, and Internet addresses;
 - c. Describe the activities of each such business, including the products and services offered, and the means of advertising, marketing, and sales.
69. Respondent must report any change in the information required to be submitted under

Paragraph 68 at least 30 days before the change or as soon as practicable after the learning about the change, whichever is sooner.

70. Within 90 days of the Effective Date, and again one year after the Effective Date, Respondent must submit to the Regional Director an accurate written compliance progress report (Compliance Report) that has been approved by the Board, which, at a minimum:
- a. Describes in detail the manner and form in which Respondent has complied with this Order; and
 - b. Attaches a copy of each Order Acknowledgment obtained under Section XI, unless previously submitted to the Bureau.
71. In addition to the requirements in Paragraph 70, Respondent must submit a Compliance Report on the Data Integrity Program required by Paragraph 48, biennially for 5 years after entry of this Order, which:
- a. Sets forth the specific data integrity program that Respondent has implemented and maintained during the reporting period;
 - b. Explains how the data integrity program is appropriate to Respondent's size and complexity, and the nature and scope of Respondent's activities;
 - c. Explains how the data integrity program meets or exceeds the protections required by Paragraph 48; and
 - d. Certifies that to the best of the certifier's knowledge and belief the data integrity program is operating with sufficient effectiveness to provide reasonable assurance of the material accuracy, integrity, and completeness of Respondent's records.

XI Order Distribution and Acknowledgment

IT IS FURTHER ORDERED that:

72. Within 7 days of the Effective Date, Respondent must submit to the Regional Director an acknowledgement of receipt of this Consent Order, sworn under penalty of perjury.
73. Within 30 days of the Effective Date, Respondent must deliver a copy of this Consent Order to each of its board members and executive officers, as well as to any managers, employees, Service Providers, or other agents and representatives who have responsibilities related to the subject matter of the Consent Order.
74. For 5 years from the Effective Date, Respondent must deliver a copy of this Consent Order to any business entity resulting from any change in structure referred to in Section X, any future board members and executive officers, as well as to any managers, employees, Service Providers, or other agents and representatives who will have responsibilities related to the subject matter of the Consent Order before they assume their responsibilities.
75. Respondent must secure a signed and dated statement acknowledging receipt of a copy of this Consent Order, ensuring that any electronic signatures comply with the requirements of the E-Sign Act, 15 U.S.C. § 7001 et seq., within 30 days of delivery, from all persons receiving a copy of this Consent Order under this Section.

XII
Recordkeeping

IT IS FURTHER ORDERED that:

76. Respondent must create, for at least 5 years from the Effective Date, the following business records:
 - a. All documents and records necessary to demonstrate full compliance with each provision of this Consent Order, including all submissions to the Bureau.

b. All documents and records pertaining to the Redress Program, described in Section VI above.

77. Respondent must retain the documents identified in Paragraph 76 for at least 5 years.

78. Respondent must make the documents identified in Paragraph 76 available to the Bureau upon the Bureau's request.

XIII Notices

IT IS FURTHER ORDERED that:

79. Unless otherwise directed in writing by the Bureau, Respondent must provide all submissions, requests, communications, or other documents relating to this Consent Order in writing, with the subject line, "In re Residential Credit Solutions, File No. 2015-CFPB-0019," and send them either:

a. By overnight courier (not the U.S. Postal Service), as follows:

Regional Director, Bureau Southeast Region
Consumer Financial Protection Bureau
ATTENTION: Office of Supervision
1625 Eye Street, N.W.
Washington D.C. 20006; or

b. By first-class mail to the below address and contemporaneously by email to

Enforcement_Compliance@cfpb.gov:

Regional Director, Bureau Southeast Region
Consumer Financial Protection Bureau
ATTENTION: Office of Supervision
1700 G Street, N.W.
Washington D.C. 20552

XIV Compliance Monitoring

IT IS FURTHER ORDERED that, to monitor Respondent's compliance with this Consent Order:

80. Within 14 days of receipt of a written request from the Bureau, Respondent must submit additional Compliance Reports or other requested information, which must be made under penalty of perjury; provide sworn testimony; or produce documents.
81. Respondent must permit Bureau representatives to interview any employee or other person affiliated with Respondent who has agreed to such an interview. The person interviewed may have counsel present.
82. Nothing in this Consent Order will limit the Bureau's lawful use of civil investigative demands under 12 C.F.R. § 1080.6 or other compulsory process.

XV
Modifications to Non-Material Requirements

IT IS FURTHER ORDERED that:

83. Respondent may seek a modification to non-material requirements of this Consent Order (e.g., reasonable extensions of time and changes to reporting requirements) by submitting a written request to the Regional Director.
84. The Regional Director may, in his/her discretion, modify any non-material requirements of this Consent Order (e.g., reasonable extensions of time and changes to reporting requirements) if he/she determines good cause justifies the modification. Any such modification by the Regional Director must be in writing.

XVI
Administrative Provisions

85. The provisions of this Consent Order do not bar, estop, or otherwise prevent the Bureau,

or any other governmental agency, from taking any other action against Respondent, except as described in Paragraph 86.

86. The Bureau releases and discharges Respondent from all potential liability for law violations that the Bureau has or might have asserted based on the practices described in Section IV of this Consent Order, to the extent such practices occurred before the Effective Date and the Bureau knows about them as of the Effective Date. The Bureau may use the practices described in this Consent Order in future enforcement actions against Respondent and its affiliates, including, without limitation, to establish a pattern or practice of violations or the continuation of a pattern or practice of violations or to calculate the amount of any penalty. This release does not preclude or affect any right of the Bureau to determine and ensure compliance with the Consent Order, or to seek penalties for any violations of the Consent Order.
87. This Consent Order is intended to be, and will be construed as, a final Consent Order issued under section 1053 of the CFPA, 12 U.S.C. § 5563, and expressly does not form, and may not be construed to form, a contract binding the Bureau or the United States.
88. This Consent Order will terminate 5 years from the Effective Date or 5 years from the most recent date that the Bureau initiates an action alleging any violation of the Consent Order by Respondent. If such action is dismissed or the relevant adjudicative body rules that Respondent did not violate any provision of the Consent Order, and the dismissal or ruling is either not appealed or upheld on appeal, then the Consent Order will terminate as though the action had never been filed. The Consent Order will remain effective and enforceable until such time, except to the extent that any provisions of this Consent Order have been amended, suspended, waived, or terminated in writing by the Bureau or its designated agent.

89. Calculation of time limitations will run from the Effective Date and be based on calendar days, unless otherwise noted.
90. The provisions of this Consent Order will be enforceable by the Bureau. For any violation of this Consent Order, the Bureau may impose the maximum amount of civil money penalties allowed under section 1055(c) of the CFPA, 12 U.S.C. § 5565(c). In connection with any attempt by the Bureau to enforce this Consent Order in federal district court, the Bureau may serve Respondent wherever Respondent may be found and Respondent may not contest that court's personal jurisdiction over Respondent.
91. This Consent Order and the accompanying Stipulation contain the complete agreement between the parties. The parties have made no promises, representations, or warranties other than what is contained in this Consent Order and the accompanying Stipulation. This Consent Order and the accompanying Stipulation supersede any prior oral or written communications, discussions, or understandings.
92. Nothing in this Consent Order or the accompanying Stipulation may be construed as allowing the Respondent, its Board, officers, or employees to violate any law, rule, or regulation.

IT IS SO ORDERED, this 30th day of July, 2015.



Richard Cordray
Director
Consumer Financial Protection Bureau