The National Consumer Law Center ("NCLC"),[1] on behalf of its low income clients, submits this information to the Consumer Financial Protection Bureau ("CFPB") regarding the harms experienced by successor homeowners (widows, orphans, and divorcées) who are unable to obtain mortgage information or approval for a loan modification.

Stress and emotional suffering due to misinformation and stonewalling

Mortgage servicers routinely refuse to provide basic information about the loan status or available loss mitigation options to successor homeowners who are not obligated on the loan. Grieving homeowners recovering from a divorce or the death of a spouse or parent find themselves confronting either a bureaucratic maze or a brick wall.

Successor homeowners need this information to evaluate their options – whether to sell the home, bring the loan current using life insurance proceeds or other resources, or apply for a loan modification, forbearance, or repayment plan. Being told repeatedly that there are no options available to help them, or worse yet, that the servicer will not even talk with them about the account, creates severe emotional stress. Vulnerable homeowners already in crisis find themselves grappling with fear, helplessness, and frustration, knowing that they may lose their most precious asset and the very roof over their heads.

Loss of the home and home equity

Successor homeowners stand to lose their homes if they cannot obtain account information and, in many cases, apply for much needed loan modifications. Many of these non-borrowers have lived in the home for many years, as the spouse or child of the borrower. A significant number have been joint owners of the home for years before the death or divorce and have recently become the sole owner. Almost all successors attempting to protect their principal residence have shared the burden of paying the property taxes, homeowners insurance, association fees, maintenance costs, and the mortgage debt.

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[1] The **National Consumer Law Center**® (NCLC®) is a non-profit Massachusetts corporation specializing in low-income consumer issues, with an emphasis on consumer credit. Since 1969, NCLC has used its expertise in consumer law and energy policy to work for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the United States. NCLC's expertise includes policy analysis and advocacy; consumer law and energy publications; litigation; expert witness services, and training and advice for advocates. NCLC works with nonprofit and legal services organizations, private attorneys, policymakers, and federal and state government and courts across the nation to stop exploitive practices, help financially stressed families build and retain wealth, and advance economic fairness. NCLC publishes a series of consumer law treatises including Mortgage Lending, Truth in Lending and Foreclosures. This information was submitted on October 8, 2014.

Refusing to evaluate these successors for available loan modification options leads to the loss of their home – in most cases, their most significant financial asset. Many successor homeowners have built up substantial equity in the home which they stand to lose through foreclosure. They will also lose the financial stability that homeownership provides as a means of building up future equity. Finally, these homeowners may become homeless or experience unstable or unaffordable rental housing after going through foreclosure and eviction. Homeowners who are able to obtain reviews for loss mitigation but only after substantial delays face significant increases in interest accrual, which may also affect whether a loan modification passes an NPV test.

Damage to credit

Successor homeowners are likely to suffer adverse impacts on their credit stemming from foreclosure. In judicial foreclosure states, any person who owns the home or signed the mortgage (even if not obligated on the promissory note) will be named as a defendant in the foreclosure suit – resulting in a judgment being entered in his or her name. Judgments are reported to the credit reporting agencies, and a judgment of foreclosure (even if not based on personal liability) is likely to have a substantial negative impact on the homeowner's credit. Even in nonjudicial foreclosure states, the resulting eviction lawsuit will likely be reported to the credit bureaus and cause harm to the successor's credit.

Further, a successor who is wrongfully denied for a loan modification (or unable to get the servicer even to evaluate his or her application) is more likely to be forced to file bankruptcy to save the home. Many such homeowners will file chapter 13 bankruptcy in an attempt to stop the foreclosure and cure the arrearage, causing a substantial credit harm that would not have occurred if the successor homeowner could have obtained a loan modification.

Vulnerability to other scams

As owners of the home or signers of the mortgage, successor homeowners will have their identity and financial crisis made public through the foreclosure process. Foreclosure rescue scammers and other unscrupulous actors comb through public filings like foreclosure publications and advertisements. Therefore, successor homeowners are likely to receive a deluge of information – but not the kind that they need. Many will fall prey to deceptive and unfair practices by scam artists claiming to have a fail-safe way to stop the foreclosure. This harm could be mitigated substantially if successors were able to access timely and accurate information from the mortgage servicer about ways to save their homes.

Thank you for the opportunity to submit this information on behalf of our low-income clients.