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Attorney General Steve Marshall Joins \$86.3 Million National Settlement with Mortgage Servicer Nationstar

(MONTGOMERY) – Attorney General Steve Marshall has joined with 50 other attorneys general and other federal and state agencies to reach an \$86.3 million settlement with Nationstar Mortgage. Nationstar is the country’s fourth-largest mortgage servicer.

The consent judgment resolves allegations that Nationstar, which does business as “Mr. Cooper,” violated consumer protection laws during its servicing of mortgage loans. The settlement provides restitution for a variety of harms that were identified in the investigation. Thousands of borrowers had problems when their loans were transferred to Nationstar, leading to foreclosure in some circumstances.

“This settlement will provide compensation to Alabama consumers who were harmed from Nationstar’s practices, mandates important reforms to the way this company handles mortgages, and serves as a warning to others that they must conduct business in a manner that is honorable and fair to their customers,” said Attorney General Marshall. “A family’s home is one of the biggest financial investments many may ever make, vital to wellbeing and security. Consumers deserve to know that mortgage servicers will abide properly by rules and procedures, that they will be responsive to complaints and honest in their dealings, and that they will be held to account if they do not.”

The consent judgment, filed in the U.S. District Court for the District of Columbia, provides approximately \$79.2 million in relief affecting 55,814 loans nationally. It covers conduct by Nationstar occurring from January 1, 2011, until December 31, 2017. In Alabama, the settlement affects 1,085 loans for a total of \$1,093,203.

The consent judgment also requires Nationstar to follow a detailed set of rules or “servicing standards” in how it handles certain mortgage loans. These servicing standards are more comprehensive than existing law and will be in place for three years starting on January 1, 2021.

The settlement was signed by attorneys general from all 50 states and the District of Columbia. The state AGs negotiated the settlement with the state mortgage regulators and the federal Consumer Financial Protection Bureau, which filed separate settlement documents. The partners also collaborated with the U.S. Trustee Program, a component within the Department of Justice that seeks to promote the efficiency and protect the

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integrity of the bankruptcy system. The USTP is finalizing a separate agreement with Nationstar to address historical servicing issues impacting borrowers in bankruptcy. In 2012, Nationstar began purchasing mortgage servicing portfolios from competitors and grew quickly into the nation's largest non-bank servicer. As loan data was transferred to Nationstar, borrowers who had sought assistance with payments and loan modifications sometimes fell through the cracks, the lawsuit alleged. Borrowers in this category will receive a guaranteed minimum payment of \$840 as part of the settlement.

Other borrowers suffered damages when Nationstar failed to oversee third-party vendors hired to inspect and maintain properties owned by delinquent borrowers and improperly changed locks on their homes, the lawsuit alleged. These borrowers will receive a guaranteed minimum payment of \$250.

A settlement administrator will send a claim form to eligible borrowers in 2021. Nationstar has already provided some of the relief outlined in the settlement.

The agreement also requires Nationstar to conduct audits and provide audit results to a committee of states to ensure compliance with the settlement.

The lawsuit alleged other unlawful acts and practices by Nationstar, including:

- Failing to properly oversee and implement the transfer of mortgage loans;
- Failing to appropriately identify loans with pending loan modification applications when a loan was being transferred to Nationstar for servicing;
- Failing to timely and accurately apply payments made by certain borrowers;
- Threatening foreclosure and conveying conflicting messages to certain borrowers engaged in loss mitigation;
- Failing to properly process borrowers' applications for loan modifications;
- Failing to properly review and respond to borrower complaints;
- Failing to make timely escrow disbursements, including the failure to timely remit property tax payments;
- Failing to timely terminate borrowers' private mortgage insurance;
- Collecting monthly modified payment amounts on certain loans where the amounts charged for principal and interest exceed the principal and interest amount contained in the trial plan agreement.