

Please Support HB21-1282
Consumer Protection – Oversight of Non-bank Mortgage Servicers
Rep. Weissman

Since the 2008-2010 recession, the number of mortgages serviced by less-regulated non-bank servicers has exploded, from a few percent of the market to more than 50%. Consumer protection laws have not kept up. When these servicers do not comply with the law, homeowners are harmed, and can even go into foreclosure. The bill requires “notification” (akin to “registration”) with the CO Attorney General for larger non-bank servicers and allows concurrent enforcement of applicable federal law.

Background – rapid growth in the sector

- 2012 – 6.8% of mortgages handled by non-bank servicers (US Govt Accountability Office)
- 2015 – 24.2% of mortgages handled by non-bank servicers (US Govt Accountability Office)
- 1Q 2020 – 53% of mortgages handled by non-bank servicers (Conf. of State Banking Supervisors)
- 12/2020 – Nationstar (dba “Mr. Cooper”) settles nationwide claim of servicing violations impacting 40,000 homeowners for \$73M (Consumer Financial Protection Bureau)
- 2021 – 64% of some Ginnie Mae loan pools handled by non-bank Servicers (HUD)

Issue – consumer protection gap

- COVID has pushed many families to the financial brink, challenging ability to keep current on mortgage payments
- Some forbearance programs have offered relief, but will be ending soon (if not already)
- Over 400 mortgage-related complaints reported to CFPB from Colorado since 1/1/2020
- Colorado is in the minority of states without state-level oversight of non-bank servicers – over 30 states have some kind of licensure or regulation (NCSL)

What HB21-1282 Does

- **Require “notification”** by larger non-bank servicers to the CO Attorney General – the people’s consumer protection law office. Notification is a simple process – less than licensure.
- **Concurrent state law enforcement** – by making violation of federal law (Real Estate Settlement Procedures Act & Truth In Lending Act) a violation of the new state law proposed in the bill
- **Investigation & enforcement where necessary** – access to records, cease & desist orders, injunctions, civil penalties, recovery of damages sustained by borrowers
- **Annual reporting requirements by AG’s office** – at SMART hearings

Fiscal Impact

- Nonbank Mortgage Servicers Act will be fee-funded via servicers required to notify under the Act.
- No General Fund impact