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# Consumer Financial Protection Bureau Outlines Guiding Principles For The Future Of Foreclosure Prevention

## CFPB Outlines Consumer Protections as Government Foreclosure Relief Program Is Set to Expire

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**Washington, D.C.** – The Consumer Financial Protection Bureau (CFPB) today outlined consumer protection principles to guide mortgage servicers, investors, government housing agencies, and policymakers as they develop new foreclosure relief solutions. The Bureau’s action comes as the Department of Treasury’s Home Affordable Modification Program, a foreclosure relief program put in place in response to the financial crisis, is nearing its expiration date. The CFPB’s proposed principles are meant to inform the discussion of potential options to help prevent avoidable foreclosures.

“We aim to help consumers avoid foreclosures, which upset their personal and financial lives,” said CFPB Director Richard Cordray. “The modification program was put in place to provide alternatives to foreclosure. Our principles will serve as helpful guardrails for servicers, investors, and regulators to consider as we continue to protect consumers who are struggling to pay their mortgages.”

Mortgage servicers collect payments from the mortgage borrower and forward those payments to the owner of the loan, the investor. They handle customer service, collections, loan modifications, and foreclosures. Avoiding foreclosure is often in the best interests of both the investor and the consumer. Servicers may provide consumers with ways to prevent foreclosure, also known as “loss mitigation” options, such as forbearance, repayment plans, loan modification, and short sales.

During the financial crisis, the Department of Treasury created the temporary Home Affordable Modification Program to provide relief to families at risk of foreclosure. Consumers who could not make their mortgage payments have been able to seek changes through the program to

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reduce their monthly payment and prevent foreclosure. With the program expiring in January 2017, the industry is beginning to develop new foreclosure relief options appropriate for a post-crisis environment.

The CFPB principles announced today call for assistance to consumers facing foreclosure that is accessible, affordable, sustainable, and transparent. These principles span the spectrum of home-retention options such as forbearance, repayment plans and modifications, and home-disposition options such as short sales and deeds-in-lieu. In summary, the principles promote:

- **Accessibility:** Consumers should easily be able to obtain and use information about loss mitigation options, and how to apply for those options.
- **Affordability:** Repayment plans and mortgage loan modifications should generally be designed to produce a payment and loan structure that is affordable for consumers.
- **Sustainability:** Loss mitigation options used for home retention should be designed to provide affordability throughout the remaining or extended loan term.
- **Transparency:** Consumers should get clear, concise information about the decisions servicers make.

The Departments of Treasury and Housing and Urban Development and the Federal Housing Finance Agency have also issued a joint white paper on this topic that details lessons learned from the program, and core principles they deem necessary in future loss mitigation frameworks.

The principles announced today by the Bureau do not establish binding legal requirements but instead are intended to complement ongoing discussions among industry, consumer groups, and policymakers. The CFPB believes these principles are flexible enough to apply to an array of approaches, and recognize the interests of consumers, investors, and servicers.

The Consumer Protection Principles are available at:

[http://files.consumerfinance.gov/f/documents/20160802\\_CFPB\\_Principles\\_for\\_Future\\_of\\_Loss\\_Mitigation](http://files.consumerfinance.gov/f/documents/20160802_CFPB_Principles_for_Future_of_Loss_Mitigation)



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*The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit [www.consumerfinance.gov](http://www.consumerfinance.gov)*

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