Mortgage Servicing Standards for Fuller Center New and ReNew Houses

The mortgage industry is going through many changes these days due to the regulations introduced following the national housing crisis. When Clarence Jordan and Millard Fuller originally established the "Fund for Humanity" they didn't have to worry about being in compliance with Fair Housing Laws, Gramm-Leach-Bliley Act, Real Estate Settlement Procedures Act, and a host of other state mandated laws and license requirements related to collecting homeowner payments. Today, we *do* have to be concerned about compliance, especially regarding loan servicing. Covenant partners generally have two options:

Option 1: The Fuller Center Covenant Partner Services Its Own Loans

If your covenant partner decides to service its own loans, escrowing homeowner payment of taxes and insurance, at a minimum you must:

a) Set up escrow accounts for the payment of taxes and insurance in federally-insured bank accounts; the money cannot be comingled with any operating accounts. The covenant partner holds these funds in trust and may not use these funds for any other purposes. Some states require that the escrow fund be non-interest bearing.
b) The covenant partner must stay in compliance with the privacy laws including the Gramm-Leach-Bliley Act of 1999.
c) Most states now require companies and non-profits servicing loans to be licensed as a mortgage servicer; the covenant partner must check with its state banking and finance department to make sure they are in compliance.
d) The covenant partner may need to comply with the Real Estate Settlement Procedures Act of 1974 (RESPA).

Option 2: The Fuller Center Covenant Partner Contracts With A Third Party

An alternative to servicing their own loans, the board of directors of a covenant partner may use a third party loan servicing company. A local bank may offer to take on the loan servicing and will receive Community Reinvestment Act credit for managing the loans.

Professional mortgage servicing companies are currently charging about $45 dollars to set up a loan and a monthly fee of $8-$15 per loan. At first this may appear to be expensive, but consider the cost of paying a bookkeeper to keep the organization compliant with the laws and protect the covenant partner investment and the homeowners by paying taxes and insurance on time.

Historic tracking of affordable housing mortgages has demonstrated a lower delinquency and foreclosure rate for non-profit lenders who utilize a professional third party servicing option.

Regardless of which option you choose, we recommend that your covenant partner design written policies and procedures for:

- the collection and recording of mortgage payments including late fees and bounced check fees
- delinquency reporting to your Family Support Committee
- foreclosure
- a method for restructuring payment agreements when working with families who become delinquent due to financial hardships related to job loss or disability