CONSUMER FINANCIAL PROTECTION BUREAU | AUGUST 2021

Mortgage Servicing COVID-19 Pandemic Response Metrics: Observations from Data Reported by Sixteen Servicers

A Report from the Consumer Financial Protection Bureau's Office of Supervision Policy

Consumer Financial Protection Bureau

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1. Introduction and Key Observations

In Spring of 2021, the CFPB obtained data from 16 large mortgage servicers to identify areas of risk in the servicers' COVID-19 pandemic response as part of its supervisory oversight. The CFPB's data requests focused on key metrics including call center data; forbearance requests, denials, and exits; delinquency; and borrower profiles. This report presents data for these metrics from December 2020 through April 2021 and the CFPB's observations based on the data. In summary, the CFPB's key observations are:

- Many servicers managed the anticipated high call volume without significant increases in metrics such as average time to answer, handle times, or call abandonment rates. A few servicers were outliers, reporting relatively higher average time to answer and abandonment rates. Borrowers may be at higher risk of obtaining untimely assistance from these servicers.

- The delinquency metrics measured overall delinquency across the portfolio, delinquent borrower exits from COVID-19 hardship forbearances, and data for delinquent borrowers who did not request forbearance during the pandemic. Delinquent forbearance exits increased substantially during the reporting period. Some servicers had significantly higher numbers and rates in one or more of these delinquency metrics, indicating a potential risk of harm to vulnerable populations of borrowers despite the wide availability of COVID-19 hardship forbearances, repayment plans, and other loss mitigation options.

- Servicers' collection, categorization, and/or management of information about borrowers who have limited English proficiency (LEP) and information related to consumers' race (either through data collected at loan origination or through the creation of proxies) varied widely. The varying approaches to the collection and use of information about language proficiency is consistent with the CFPB's pre-pandemic supervisory experience. Fair lending compliance testing is likely to be affected by a servicer's approach to the collection of race data, which may affect the detection of fair lending risks at some servicers.

1.1 Background and Data

Due to the COVID-19 pandemic, millions of borrowers have experienced difficulty remaining current on their mortgage payments. Delinquency rates increased sharply beginning around March 2020 and remain elevated.[1] On March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act establishes the right to a forbearance for up to 180 days, and an extension for an additional 180 days, for homeowners with federally backed mortgages. Guidance from GSEs and federal agencies allow for an extended period of up to 18 months.[2] In addition, the CARES Act provided for and various federal and state agencies issued foreclosure moratoriums for borrowers with certain types of loans.[3]

Millions of borrowers have enrolled in COVID-19 hardship forbearances and similar forbearance programs offered for private loans during the pandemic.[4] As of July 2021, more than 1.8 million borrowers were enrolled in active forbearance plans.[5] Many borrowers have already exited forbearance, and borrowers who remain on active plans are anticipated to exit through Fall 2021. Borrowers exiting forbearance must make arrangements to repay any missed payments and may need to apply for longer-term loss mitigation options at the end of their forbearance periods.

In response to the pandemic, the CFPB has prioritized monitoring and oversight of mortgage servicing and servicers' engagement with borrowers at all stages in the loss mitigation process.[6]

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[1] *See* Black Knight Mortgage Monitor, May 2021, https://cdn.blackknightinc.com/wp-content/uploads/2021/07/BKI_MM_May2021_Report.pdf.

[2] *See* https://www.consumerfinance.gov/coronavirus/mortgage-and-housing-assistance/help-for-homeowners/learn-about-forbearance/.

[3] *See* June 28, 2021 New Rule: "Protections for Borrowers Affected by the COVID-19 Emergency Under the Real Estate Settlement Procedures Act (RESPA), Regulation X" and Press Release, June 28, 2021, with links to Final Rule and Executive Summary: https://www.consumerfinance.gov/about-us/newsroom/cfpb-issues-rules-to-facilitate-smooth-transition-as-federal-foreclosure-protections-expire/.

[4] The terms of private loan forbearance programs offered during the pandemic vary by loan owner. Many private loan forbearance programs are similar to COVID-19 hardship forbearances under the CARES Act, with initial terms of 90 or 180 days and, for those that offered extensions, up to six months or one year of forbearance. *See* https://www.consumerfinance.gov/coronavirus/mortgage-and-housing-assistance/help-for-homeowners/learn-about-forbearance/.

[5] Black Knight, July 23, 2021 Blog Post "Forbearances Flat for Second Consecutive Week," https://www.blackknightinc.com/blog-posts/forbearances-flat-for-second-consecutive-week/.

[6] *See* April 1, 2021 Compliance Bulletin "Unprepared is Unacceptable"; April 1, 2021 Bulletin 2021-02: Supervision and Enforcement Priorities Regarding Housing Insecurity at https://files.consumerfinance.gov/f/documents/cfpb_bulletin-2021-02_supervision-and-enforcement-priorities-regarding-housing_WHcae8E.pdf.

Beginning in May 2020, CFPB Supervision conducted several prioritized assessments (PAs) and reviews of mortgage servicers to obtain real-time information and identify areas of risk of consumer harm due to the pandemic.[7] The CFPB has also issued several reports on mortgage servicing issues during the pandemic.[8]

Servicers' management of forbearance exits and the loss mitigation process is critical to avoid the risk of harm to borrowers. Borrowers who do not successfully transition from forbearance into repayment or other loss mitigation options risk advanced delinquency, foreclosure and foreclosure-related costs, and negative credit reporting. To address these and other risks, on June 28, 2021, the CFPB issued amendments to Regulation X to assist mortgage borrowers affected by the COVID-19 pandemic. The amendments establish temporary procedural safeguards to help ensure that borrowers have a meaningful opportunity to be reviewed for foreclosure avoidance options before the servicer can make the first notice or filing for foreclosure on certain mortgages, and temporarily permit mortgage servicers to offer borrowers certain streamlined modifications based on incomplete loss mitigation applications.[9] In addition, amendments to the early intervention and loss mitigation reasonable diligence obligations are meant to help ensure that servicers are communicating timely and accurate information to borrowers about their loss mitigation options during the current crisis.

The CFPB also has called for mortgage servicers to take proactive steps to assist borrowers. These steps include dedicating resources and staff, prioritizing clear communications and proactive outreach to borrowers enrolled in forbearance, and promoting loss mitigation.[10] The CFPB considers a servicer's overall effectiveness at achieving these goals, along with other

[7] *See* Supervisory Highlights, Issue 23, Jan. 2021, https://files.consumerfinance.gov/f/documents/cfpb_supervisoryhighlights_issue-23_2021-01.pdf.

[8] *See* May 4, 2021 Complaint Bulletin "Mortgage forbearance issues described in consumer complaints," https://files.consumerfinance.gov/f/documents/cfpb_mortgage-forbearance-issues_complaint-bulletin_2021-05.pdf; March 1, 2021 Report "Housing insecurity and the COVID-19 pandemic," https://files.consumerfinance.gov/f/documents/cfpb_Housing_insecurity_and_the_COVID-19_pandemic.pdf; May 4, 2021 Report "Characteristics of Mortgage Borrowers During the COVID-19 Pandemic," https://files.consumerfinance.gov/f/documents/cfpb_characteristics-mortgage-borrowers-during-covid-19-pandemic_report_2021-05.pdf.

[9] On June 23, 2020, the CFPB issued the Interim Final Rule, "Treatment of Certain COVID-19 Related Loss Mitigation Options Under the Real Estate Settlement Procedures Act (RESPA), Regulation X." *See* Press Release, June 23, 2020, with links to Interim Rule: https://www.consumerfinance.gov/about-us/newsroom/cfpb-issues-interim-final-rule-loss-mitigation-options-pandemic-related-financial-hardships/. On June 28, 2021, the CFPB issued the New Rule, "Protections for Borrowers Affected by the COVID-19 Emergency Under the Real Estate Settlement Procedures Act (RESPA), Regulation X." *See* Press Release, June 28, 2021, with links to Final Rule and Executive Summary: https://www.consumerfinance.gov/about-us/newsroom/cfpb-issues-rules-to-facilitate-smooth-transition-as-federal-foreclosure-protections-expire/.

[10] *See* April 1, 2021 Bulletin 2021-02: Supervision and Enforcement Priorities Regarding Housing Insecurity at https://files.consumerfinance.gov/f/documents/cfpb_bulletin-2021-02_supervision-and-enforcement-priorities-regarding-housing_WHcae8E.pdf.

relevant factors, in exercising its discretionary authority to address violations of Federal consumer financial law.[11] In 2020, the CFPB issued amendments to Regulation X to address loss mitigation for borrowers affected by the COVID-19 pandemic, including special deferral or partial claim options offered to borrowers affected by the COVID-19 pandemic exiting forbearance.[12]

As part of the CFPB's supervisory monitoring of servicers' COVID-19 pandemic response and preparedness, the CFPB sent information and data requests for mortgage servicing data to 16 servicers (the "Metrics Requests") beginning in April 2021. The Metrics Requests were designed to provide insight into how servicers are responding to the pandemic and identify possible outliers, and areas of elevated consumer risk, for each metric. The 16 servicers include a cross-section of large banks and non-banks, master servicers and sub-servicers, and subprime servicers, representing in aggregate a substantial portion by loan volume of the mortgage servicing market. Servicers provided data by month for the reporting period of December 2020 through April 2021. In general, the Metrics Requests relate to the following topics:

1. Servicing portfolio
2. Call metrics
3. COVID-19 hardship forbearance enrollments
4. COVID-19 hardship forbearance exits
5. Delinquency
6. Borrower profiles

This report summarizes some of the key observations from the Metrics Requests. Where possible, metrics are divided into two categories, federally backed loans (*i.e.*, VA, FHA, USDA, or GSE loans) and private loans, and presented both for individual servicers and in aggregate for all servicers. Illustrations with anonymized data are included for certain metrics.[13] Because data provided by servicers in response to the Metrics Requests is confidential supervisory information, the report does not identify servicers by name.

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[11] *Id.*

[12] On June 23, 2020, the CFPB issued the Interim Final Rule, "Treatment of Certain COVID-19 Related Loss Mitigation Options Under the Real Estate Settlement Procedures Act (RESPA), Regulation X." *See* Press Release, June 23, 2020, with links to Interim Rule: https://www.consumerfinance.gov/about-us/newsroom/cfpb-issues-interim-final-rule-loss-mitigation-options-pandemic-related-financial-hardships/.

[13] Selected enlarged illustrations are included at **Appendix A**.

The data and observations discussed in this report are subject to limitations, including the following:[14]

- The report does not present all of the CFPB's observations or servicer data obtained through the Metrics Requests. The CFPB's analysis of data provided by servicers is ongoing.
- Some servicers did not provide complete or usable data. As a result, for some metrics, the CFPB does not present data for all 16 servicers.
- To standardize metrics, the CFPB provided definitions for some key terms. However, servicers do not maintain data in the same format and used differing definitions and assumptions for some data. In addition, some servicers provided servicer-level data and others provided portfolio-level data for certain metrics, and this report generally does not specify where the data set is servicer-wide or portfolio-specific.
- The observations for specific metrics in this report do not take into account the different compositions and risk profiles of individual servicers or servicer portfolios.

[14] Additional limitations are described below for some metrics.

2. Metrics

2.1 Servicing Portfolio

Servicers provided loan portfolio data for nearly 17 million loans, including approximately 13 million (77%) federally backed loans and 3.5 million (23%) private loans.[15] Most servicers reported that the number of loans serviced in their portfolios each month of the reporting period was between 500,000 and 2 million loans.

2.2 Call Metrics

The Metrics Requests sought data on certain call metrics for insight on the volume of call center inquiries from borrowers and servicers' responsiveness to those inquiries. Sixteen servicers provided data for four different call metrics: (1) The number of call center inquiries; (2) the average call center speed to answer (*i.e.*, hold times); (3) call abandonment rates; and (4) average call handle times.[16] Observations for each call metric are discussed below.

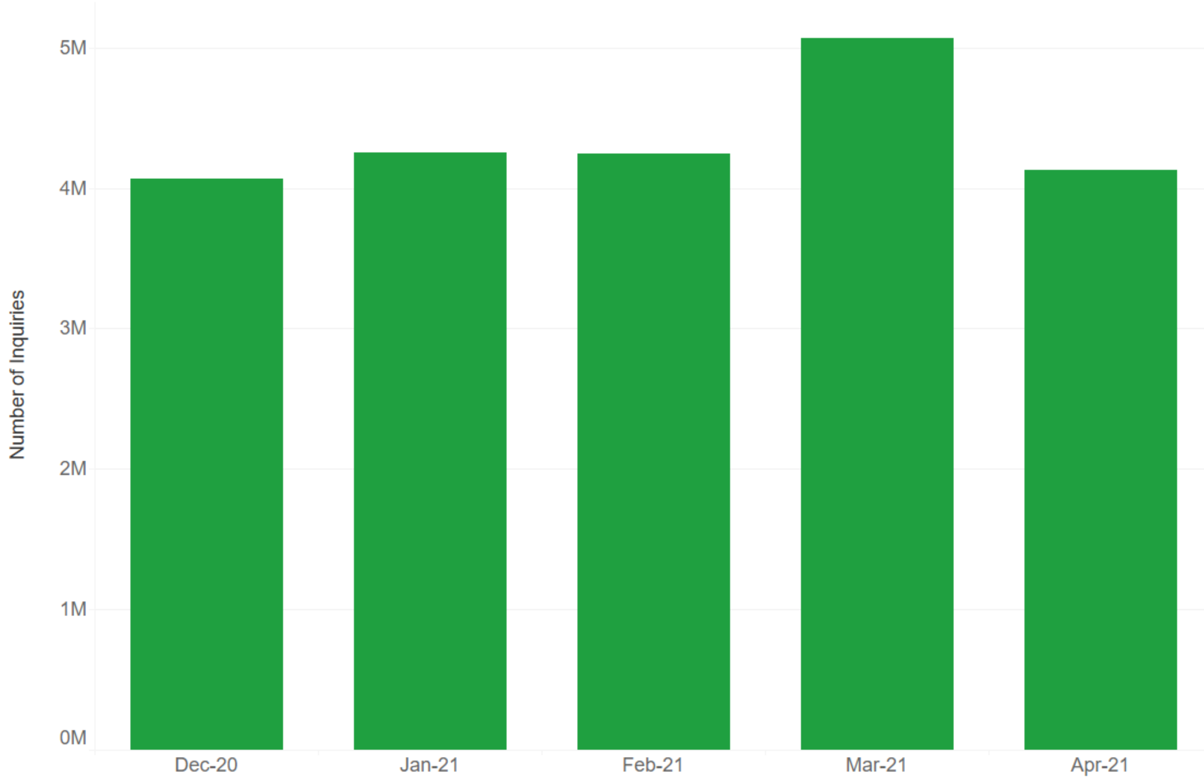
2.2.1 Volume of Consumer Inquiries

This metric tracks the number of consumer inquiries to servicer call centers. The illustration below aggregates the number of call center inquiries reported by all servicers:

[15] With the exception of call center data, this report presents data from 15 of 16 servicers that received the Metrics Requests. One sub-servicer did not submit data in time for publication.

[16] Servicers do not track data, and did not calculate these metrics, in exactly the same way. For example, some servicers provided separate data for servicing, collections, and other specialized call centers, which work with different borrowers. The anonymized call center metrics in this section generally do not specify whether the data is for individual call centers or servicer-wide. In addition, some servicers may have used different definitions or assumptions in calculating the number of inquiries or other call metrics.

FIGURE 1: CALL CENTER INQUIRIES TOTAL – FOR ALL SERVICERS



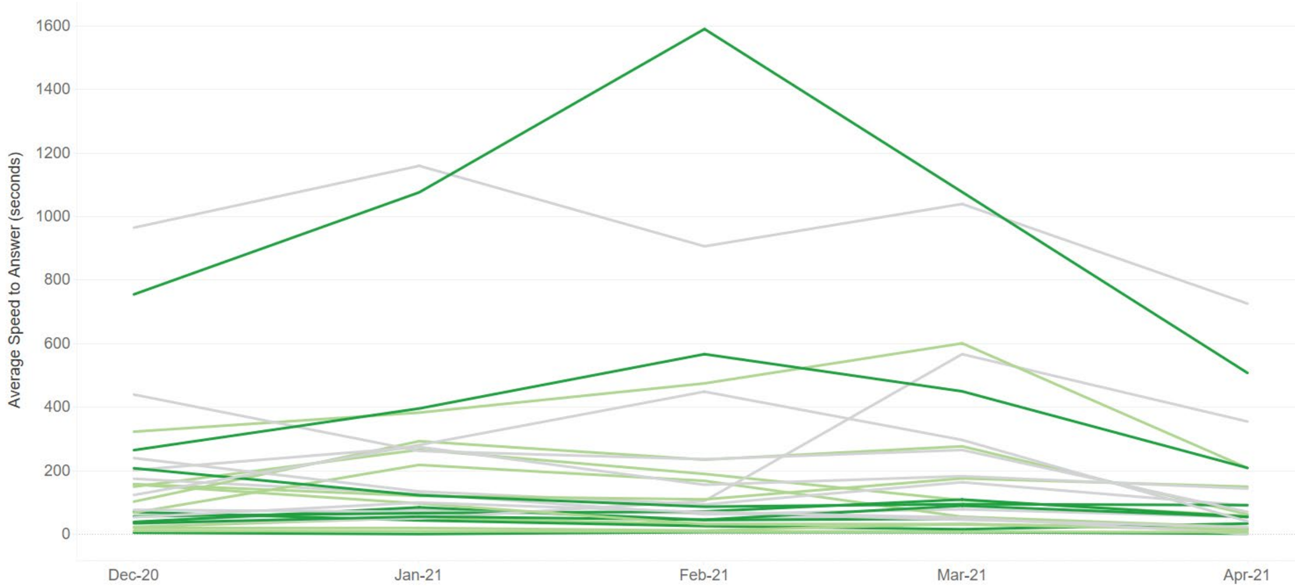
The aggregate number of call center inquiries exceeded four million in each month of the reporting period. The number of inquiries spiked in March 2021, a trend that was generally consistent across servicers. For example, for one large servicer, the number of inquiries was approximately 650,000 in February 2021, increased to 750,000 in March 2021, and dropped to 625,000 in April 2021.

The increase in March 2021 may track the expiration of forbearance terms for borrowers who enrolled at the beginning of the pandemic and are calling servicers to discuss additional forbearance terms, repayment of forborne amounts, and loss mitigation options before expiration of their forbearance terms.

2.2.2 Average Speed to Answer (ASA)

ASA is the average amount of time that borrowers wait on the phone before speaking with a representative. The average ASA for servicers during the reporting period was 2.7 minutes. The illustration below presents the ASAs reported by each servicer:

FIGURE 2: AVERAGE SPEED TO ANSWER – BY SERVICER

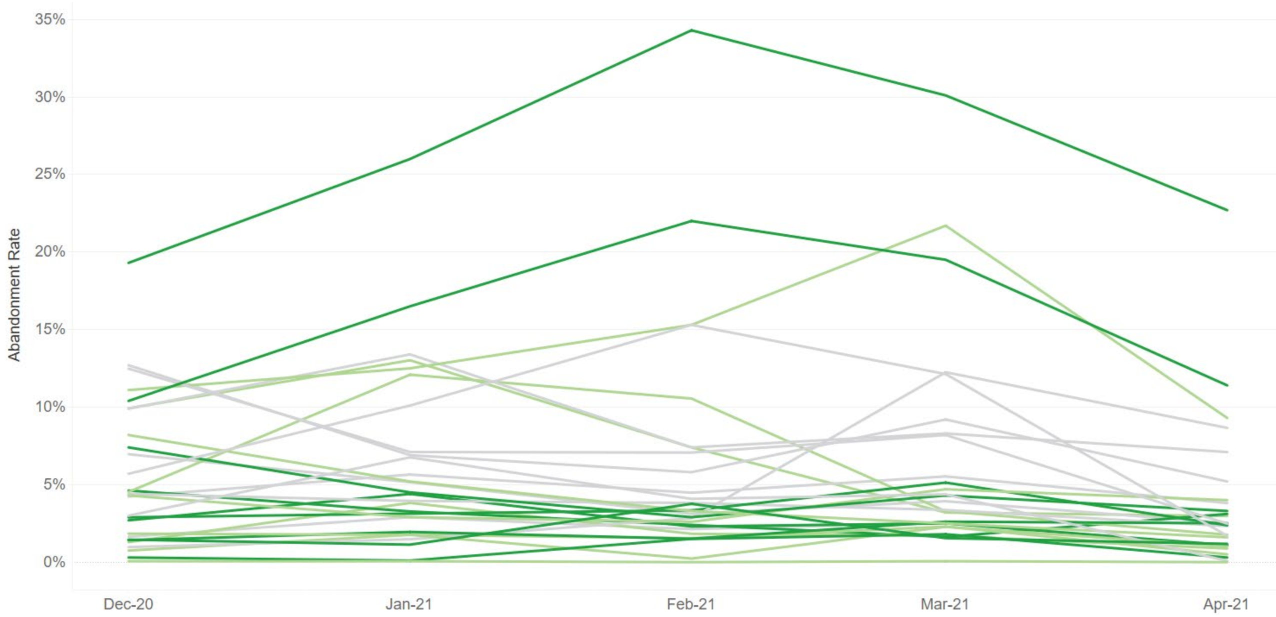


While some servicers experienced fluctuations, overall, ASA remained relatively stable. However, ASA reported by servicers varied significantly. Two bank servicers were outliers, reporting monthly ASAs that peaked at 26.5 minutes and 19.31 minutes before decreasing substantially in the final months of the reporting period. By comparison, certain other servicers reported monthly ASAs as low as 1, 7, and 12 seconds.

2.2.3 Abandonment Rates (AR)

Abandonment Rates are the rate at which borrowers disconnect from servicing calls prior to completion. The illustration below shows reported abandonment rates for each month of the reporting period:

FIGURE 3: ABANDONMENT RATE – BY SERVICER



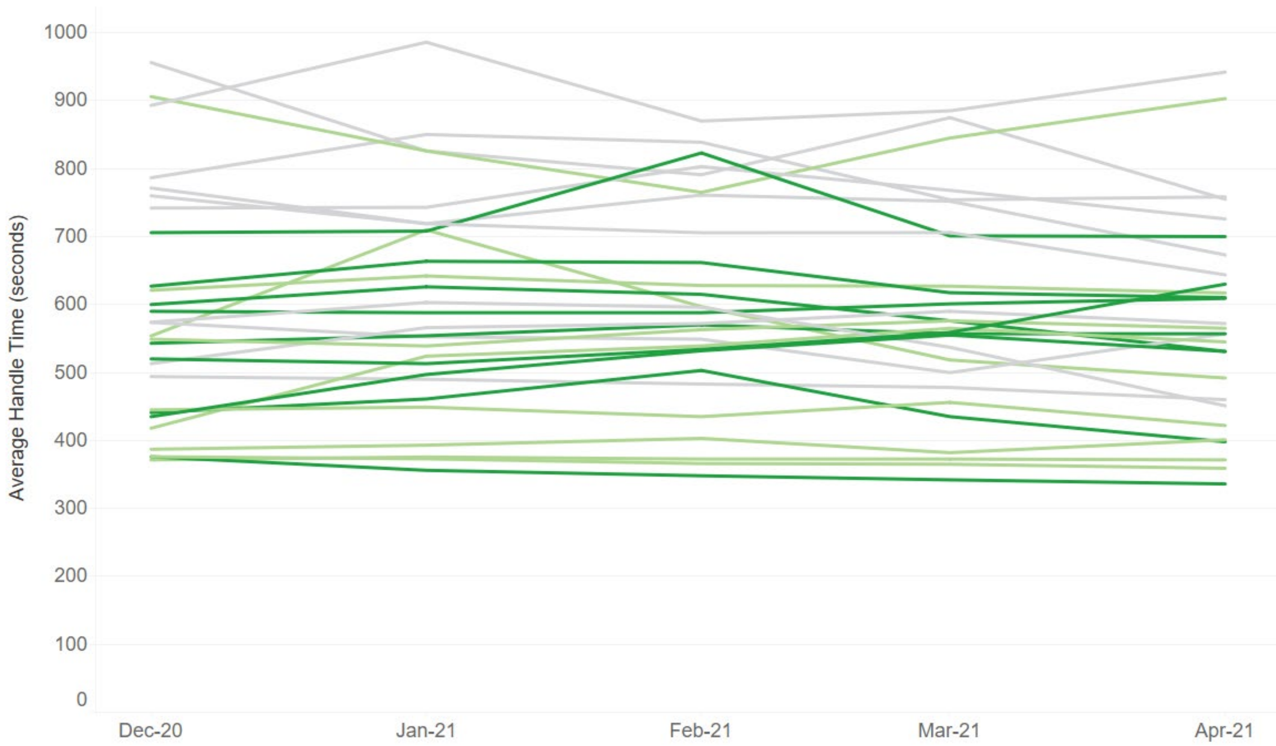
For many servicers, AR increased substantially during the reporting period before dropping in April 2021. Overall, reported AR varied widely across servicers and call centers. Some servicers saw relatively high abandonment rates, exceeding 10%. The same bank servicer reporting the highest ASA, described above, also reported the highest AR for each month of the reporting period, peaking at 34% in February 2021. Two non-bank servicers also reported relatively high abandonment rates, peaking at 22%. These three servicers saw the highest average reported AR over the entire reporting period, exceeding 10%. By comparison, most servicers saw average reported abandonment rates of less than 5% during the reporting period.

The number of call center inquiries showed no clear correlation to AR. In other words, the servicers with the highest reported numbers of call center inquiries did not each have relatively high AR. Similarly, servicers reporting similar numbers of inquiries reported significant differences in AR.

2.2.4 Average Handle Time (AHT)

Average Handle Time measures the average length of borrower calls. AHT may reflect the relative complexity of issues raised by customer inquiries, servicers' efficiency in responding to inquiries, and the degree to which servicers provide complete information in response to inquiries. The illustration below shows reported AHT for each month of the reporting period:

FIGURE 4: AVERAGE HANDLE TIME – BY SERVICER



Reported AHT ranged from 5.6 to 16.4 minutes. This variation may be explained in part by the fact that some servicers provided separate data for call centers with different functions, which handle different types of calls. AHT was relatively stable during the reporting period, but some servicers reported increases in AHT in April 2021.

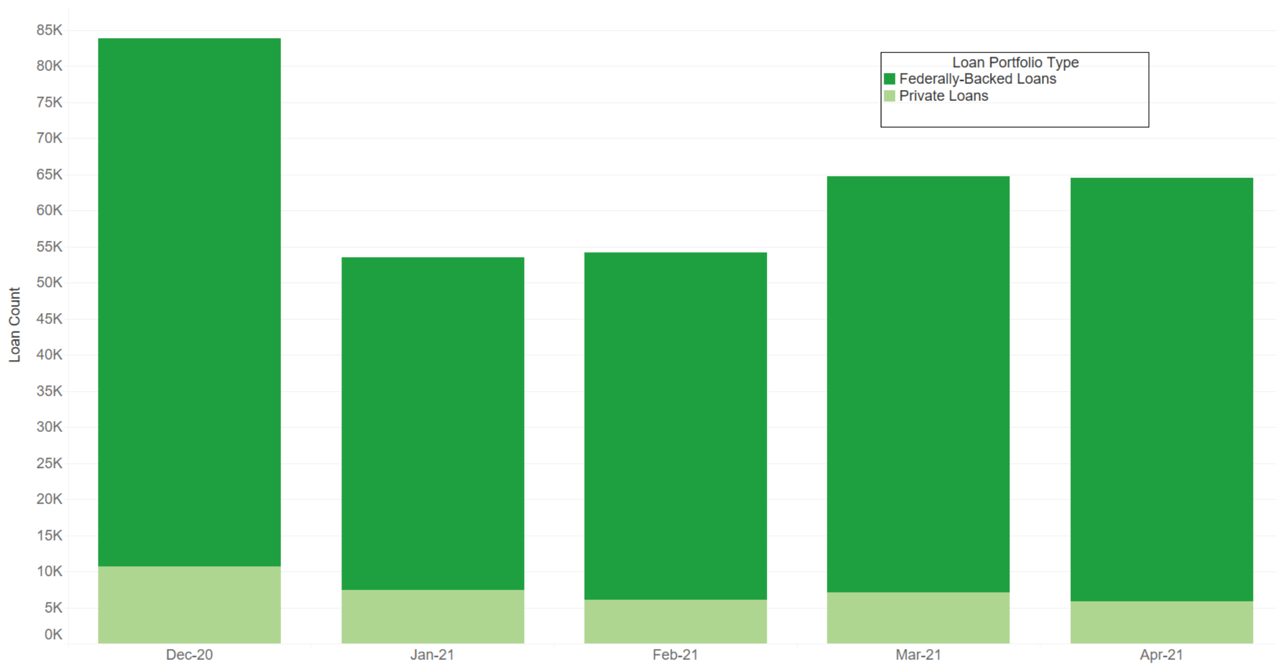
2.2.5 Call Metrics Key Observations

Despite a higher volume of calls in March 2021, the reported call metrics for many servicers remained relatively stable. Abandonment Rates and Average Speed to Answer did not substantially increase during the reporting period. However, as described above, some servicers' reported AR and ASA were significant outliers, which may indicate a relatively higher risk of harm to consumers who are unable to access timely assistance on the phone. In addition, reported ASA for some servicers increased with call volume. For example, one servicer saw a 56% increase in call volume and a 52% increase in ASA from February 2021 to March 2021. For these servicers, the correlation between call volume and ASA may indicate an opportunity to reduce ASA by assigning additional staff and resources to address higher inquiry volume.

2.3 COVID-19 Hardship Forbearance Enrollments

The Metrics Requests included several metrics on pandemic-related payment assistance offered to borrowers experiencing financial hardship due to the COVID-19 pandemic. Generally, these assistance programs included forbearances under the CARES Act for federally backed loans and similar forbearance programs offered by private loan owners during the pandemic. Among approximately 13 million federally backed loans and 3.5 million private loans, the aggregate number of reported monthly COVID-19 hardship forbearance requests at these servicers ranged from about 46,000 to 73,000 for federally backed loans and about 6,000 to 11,000 for private loans during the reporting period, as shown below:

FIGURE 5: REQUESTS FOR COVID-19 HARDSHIP FORBEARANCE – TOTAL FOR ALL SERVICERS



The CFPB also requested metrics on COVID-19 hardship forbearance requests that were denied. The reported number of denials for federally backed loans was consistently low, with the aggregate number of denials ranging from 0 to about 500 per month. Only one servicer reported more than 200 denials in any month of the reporting period. Denial counts for private loan forbearance programs were similarly low. These low reported numbers are not surprising, given that forbearance was widely available for borrowers with both federally backed and private loans who requested assistance.[17]

One subprime servicer reported a relatively high number and rate of denied requests for COVID-19 hardship forbearance for private loans, peaking at nearly 500 denials in December 2020 and ranging between 12-18% of forbearance requests during the reporting period. This may indicate a relatively higher risk that the servicer's private loan borrowers – averaging about 45% of its servicing portfolio – are unable to obtain pandemic-related hardship assistance because of specific private loan owner program requirements or other issues.

2.4 COVID-19 Hardship Forbearance Exits

The CFPB also requested data on loans exiting COVID-19 hardship forbearance and the status of borrowers exiting forbearance programs. Borrowers exiting forbearance may require specialized assistance from servicers to resolve their delinquency and ensure a smooth transition. Regulation X provides specific protections for many borrowers in this category. For example, if servicers offered a short-term payment forbearance program based on the evaluation of an incomplete loss mitigation application, servicers must contact borrowers before the end of the forbearance period to determine if the borrower wishes to complete the loss mitigation application and proceed with a full loss mitigation evaluation.[18] For borrowers who request further assistance, servicers must exercise reasonable diligence in collecting documents and information to complete the loss mitigation application by, for example, having processes in place to obtain documents and information to complete loss mitigation applications so that they can evaluate borrowers for longer-term assistance.[19]

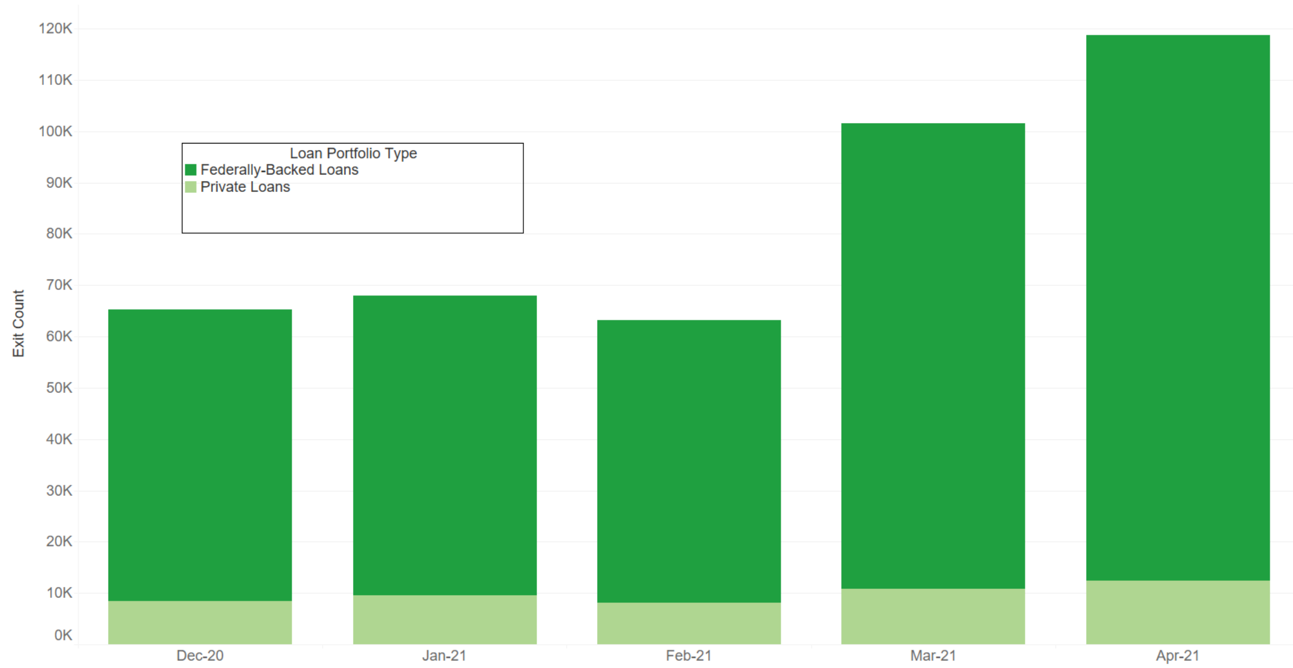
The illustration below shows the aggregate number of reported COVID-19 hardship forbearance exits for all servicers:

[17] For federally backed loans, the only requirements to obtain a hardship forbearance under the CARES Act are that borrowers submit a request to their servicer and affirm that they are experiencing a financial hardship during the COVID-19 emergency. 15 U.S.C. § 9056(b)(1).

[18] *See* Regulation X, comment 41(b)(1)-4.iii.

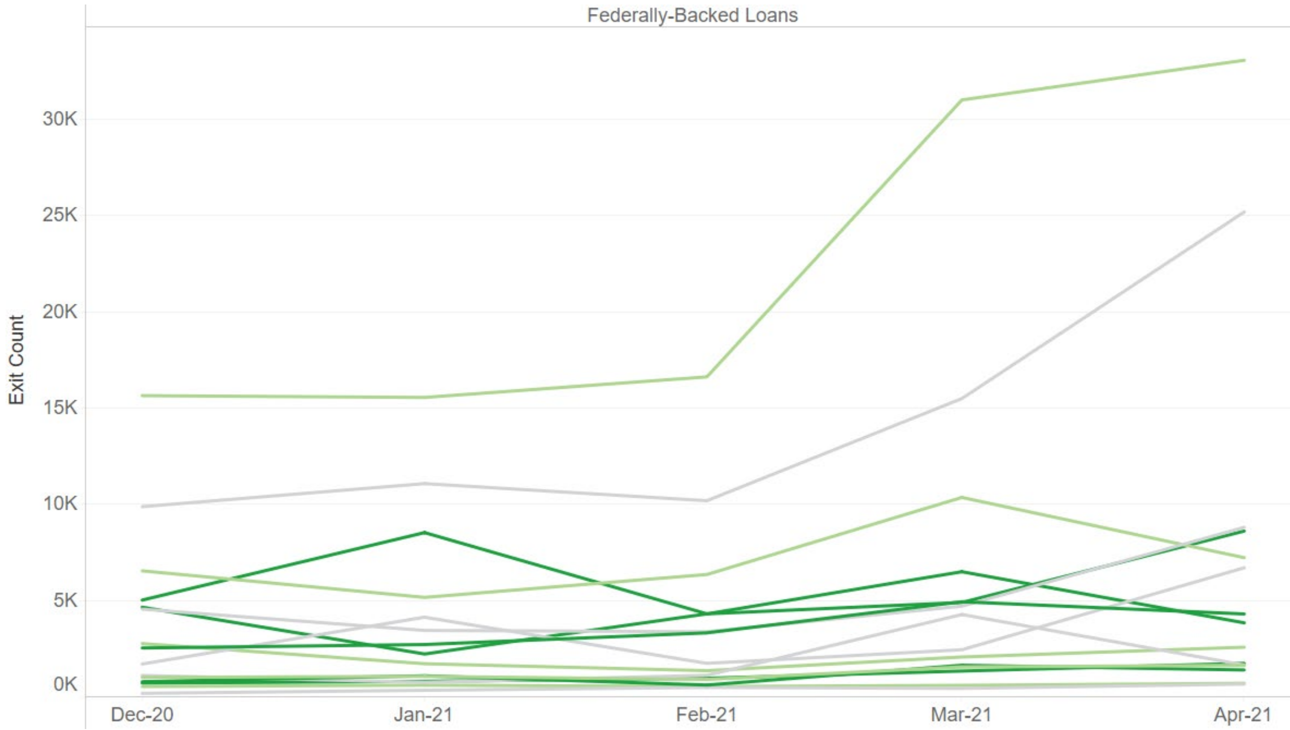
[19] *See* Regulation X, 12 C.F.R. 1024.41(c)(2)(iii); comments 41(b)(1)-4.iii; 41(c)(2)(i)-1; 41(c)(2)(iii)-1 through -6.

FIGURE 6: EXITS FROM COVID-19 HARDSHIP FORBEARANCE – TOTAL FOR ALL SERVICERS



The aggregate reported number of COVID-19 hardship forbearance exits from all servicers increased from approximately 55,000 to 106,000 per month for federally backed loans and 8,000 to 12,000 for private loans. The illustration below shows the number of exits by servicer for federally backed loans only:

FIGURE 7: EXITS FROM COVID-19 HARDSHIP FORBEARANCE – BY SERVICER



As shown above, many servicers also reported substantial increases in exits in March and April 2021. This trend may reflect growing numbers of exits from borrowers reaching the end of COVID-19 hardship forbearance terms.

The Metrics Requests also sought information on the status of borrowers exiting from COVID-19 hardship forbearance. Generally, a borrower's exit status indicates whether the borrower resumed repayment under an existing repayment plan, enrolled in another loss mitigation option such as a loan modification, or remained delinquent (with no loss mitigation in place). Key observations on borrowers in the "delinquent" category are discussed below.

2.5 Delinquency

Given the significant risks of harm to delinquent borrowers, the Metrics Requests included several requests relating to delinquency. "Delinquency" is defined in Regulation X, in relevant part, as beginning on "the date a periodic payment sufficient to cover principal, interest, and, if applicable, escrow becomes due and unpaid."[20] In addition to overall delinquency rates, the

[20] 12 C.F.R. 1024.31.

Metrics Requests also included requests for delinquency data among specific subsets of borrowers, such as those exiting from COVID-19 hardship forbearance and those who did not request a hardship forbearance during the pandemic.

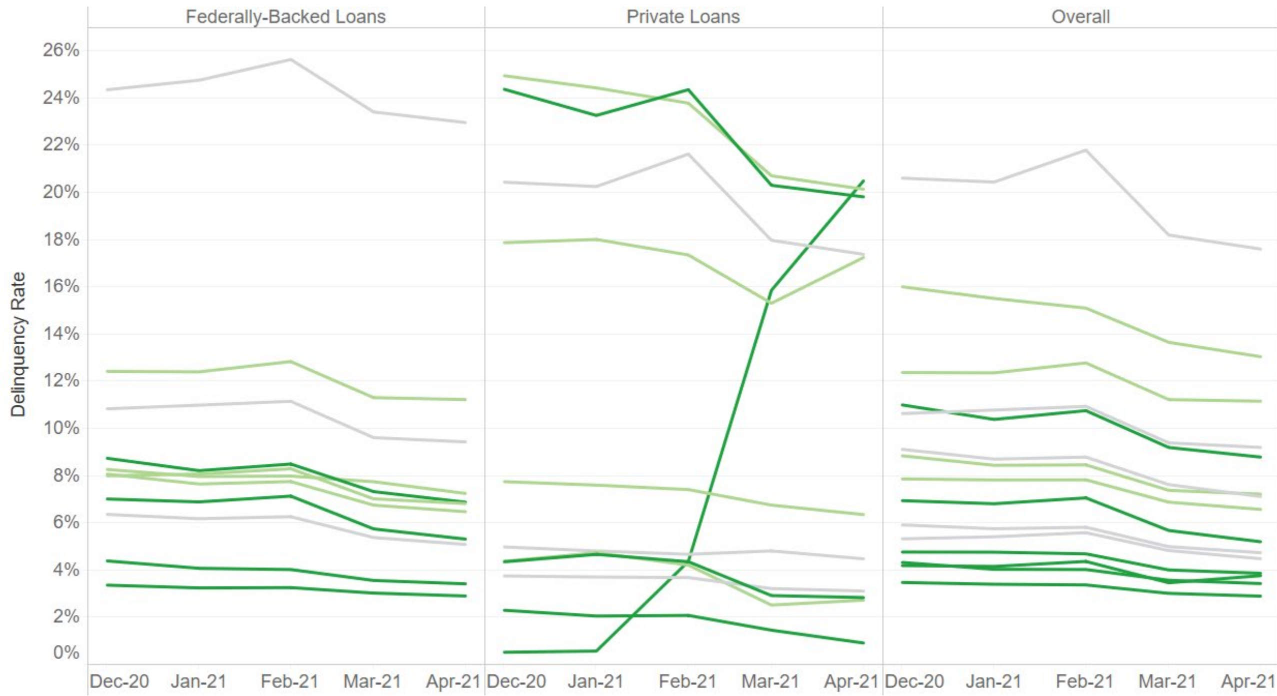
For each delinquency metric, the data do not capture the stage of delinquency or whether the delinquency was temporary. Some delinquent borrowers may be enrolled in forbearances or in the process of applying for loss mitigation options. In response to the Metrics Requests, servicers may have reported borrowers as delinquent even if only a few days passed since a missed payment, and some of these borrowers may have enrolled in loss mitigation options or otherwise cured the delinquency before the next reported month. In addition, servicers may have reported delinquency data at different times of the month (*i.e.*, beginning or end of month).

2.5.1 Overall Delinquency

Servicers reported overall monthly delinquency rates for serviced portfolios (*i.e.*, the portion of all serviced loans in the portfolio that are delinquent). While differences in delinquency rates may largely reflect the differing composition and risk profile of each servicer's portfolio, as well as other factors, overall delinquency rates provide a useful starting point in evaluating servicers' activities.

The illustration below shows delinquency rates by servicer for federally backed loans, private loans, and overall:

FIGURE 8: OVERALL DELINQUENCY RATE – BY SERVICER



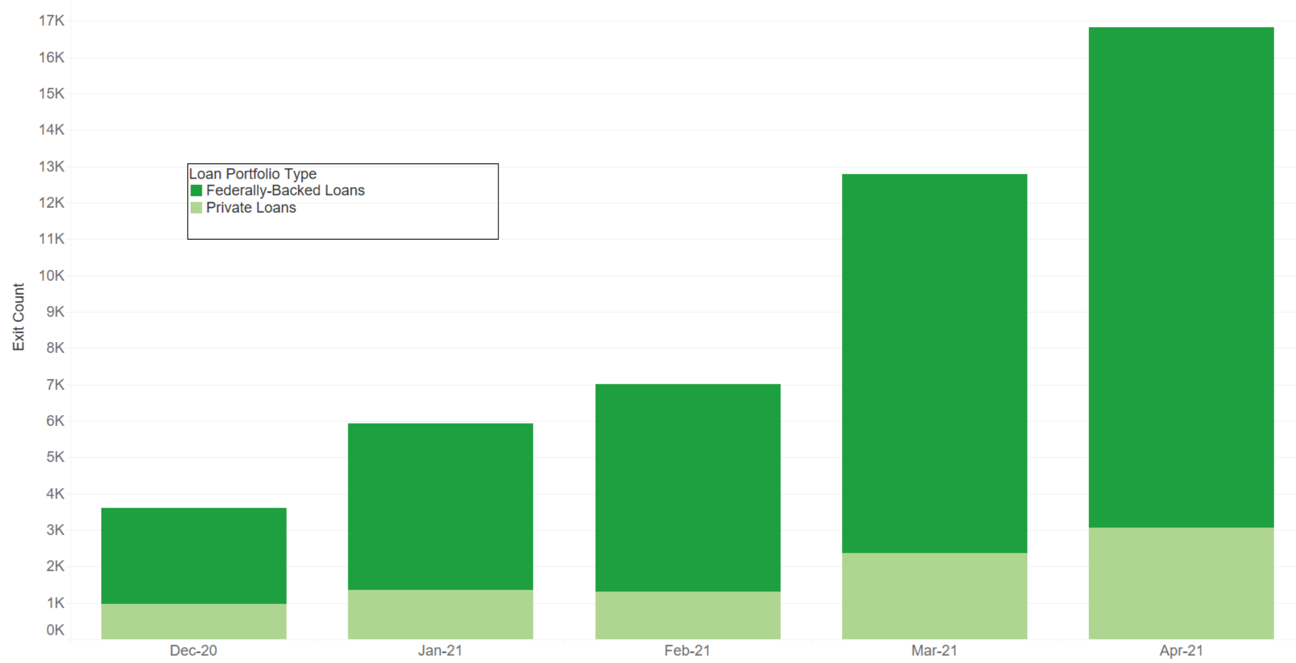
Overall delinquency rates ranged from about 1% to 26% for both federally backed and private loans. Most servicers reported delinquency rates between 5% and 13% during the reporting period, but a few reported significantly higher rates. One subprime servicer reported the highest delinquency rate for federally backed loans in every reporting period, approaching 26%. In addition, four servicers, including the subprime servicer, reported relatively higher delinquency rates, ranging from about 15% to 25% for private loans.

2.5.2 Delinquent COVID-19 Hardship Forbearance Exits

Servicers reported the number of borrowers who exited from pandemic-related forbearance plans in a delinquent status (with no loss mitigation in place upon exit). These borrowers may be at risk of harm from advanced delinquency, foreclosure and foreclosure-related costs, and negative credit reporting. Investors and servicers have implemented several post-forbearance repayment options and other loss mitigation options to assist borrowers experiencing a COVID-19 pandemic-related hardship. For example, servicers may offer borrowers repayment plans, payment deferral programs, partial claim programs, and loan modification programs. They also may offer additional options for borrowers who find themselves unable to stabilize their finances or do not wish to remain in their home such as a short sales or deed-in-lieu of foreclosure as an alternative to foreclosure. Given these options, the CFPB would expect to see very low numbers of borrowers in this category.

The illustration below shows the number of delinquent COVID-19 hardship forbearance exits in aggregate across all the servicers:

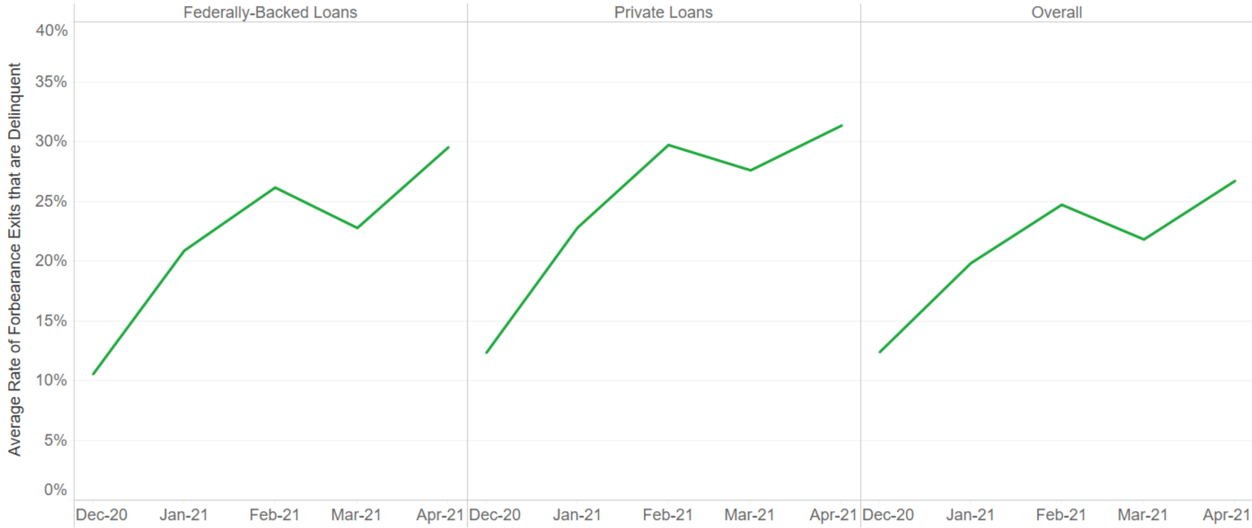
FIGURE 9: DELINQUENT EXITS FROM COVID-19 HARDSHIP FORBEARANCE – TOTAL FOR ALL SERVICERS



The aggregate reported number of delinquent COVID-19 hardship forbearance exits during the reporting period consistently increased from about 3,000 to nearly 14,000 for federally backed loans and from about 1,000 to 3,000 for private loans. Overall, the number of delinquent exits increased more than fourfold during the reporting period.

The illustration below shows the aggregate delinquent COVID-19 hardship forbearance exits for all servicers as a percentage of all forbearance exits for each month of the reporting period:

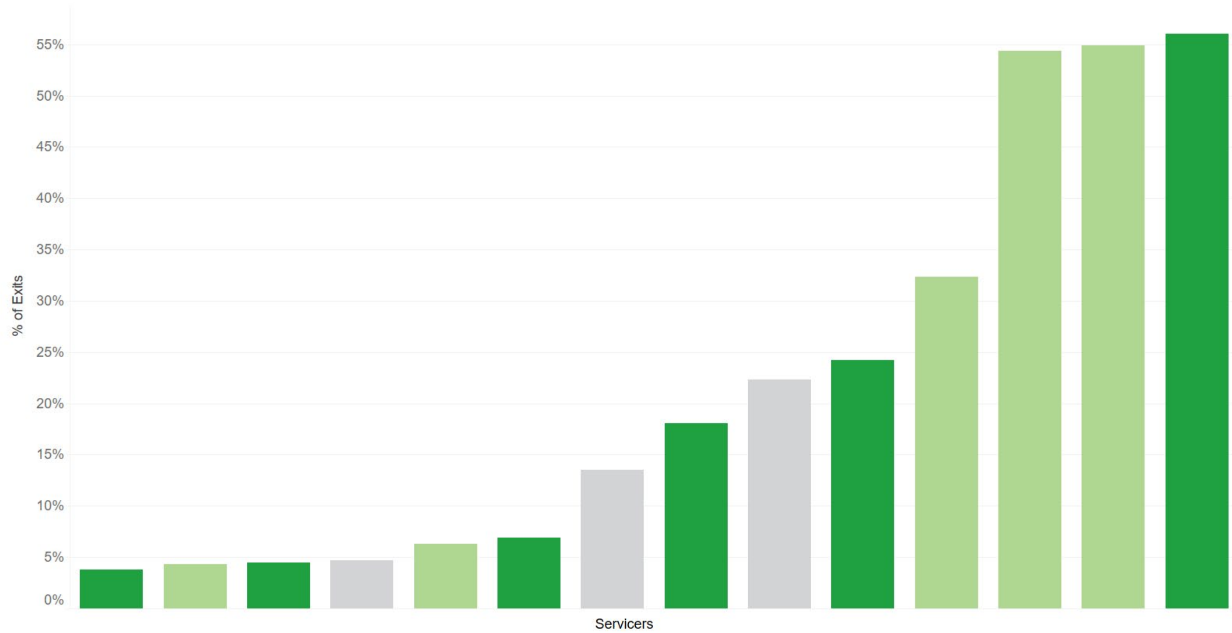
FIGURE 10: DELINQUENT EXITS FROM COVID-19 HARDSHIP FORBEARANCE AS A PERCENTAGE OF ALL EXITS – AVERAGE FOR ALL SERVICERS



Aggregate delinquent forbearance exits for all servicers, as a percentage of all forbearance exits, increased substantially during the reporting period, rising from about 10% to 30% for federally backed loans and about 10% to 30% for private loans. While borrowers with federally backed loans who are exiting forbearance generally have more loss mitigation options available, such as deferrals and partial claims, the delinquency rates for those borrowers was comparable to the rates for private loan borrowers for much of the reporting period.

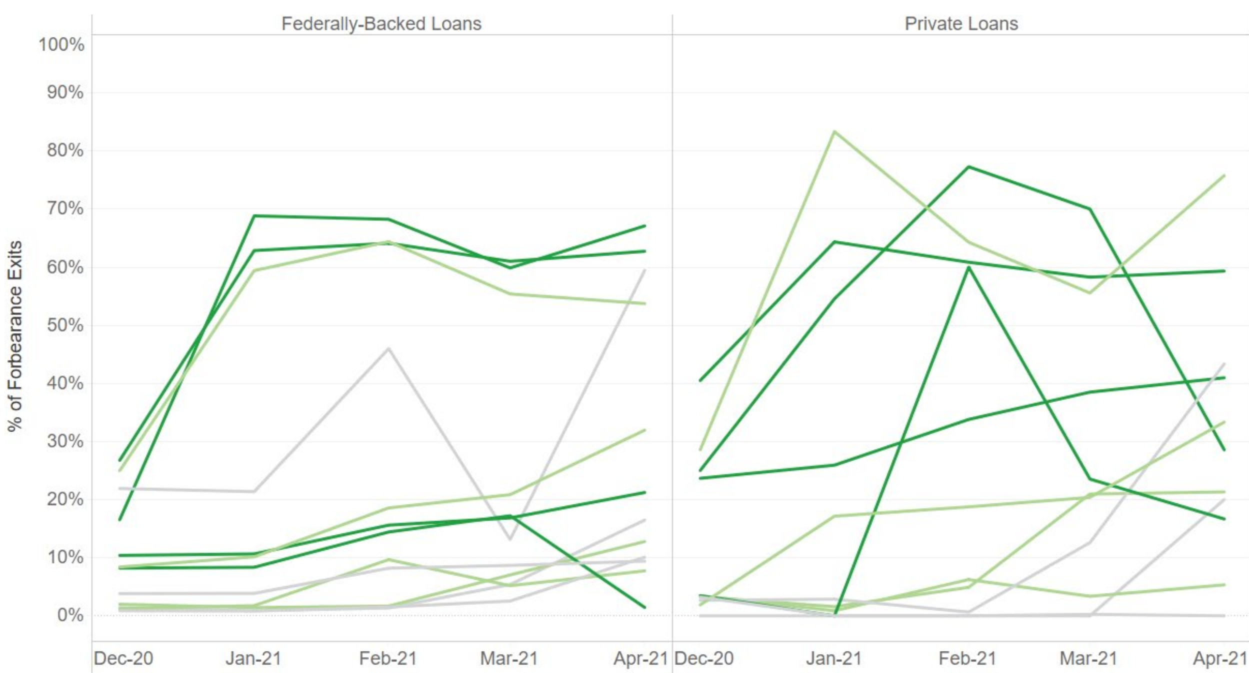
The illustration below presents the average percentage of delinquent forbearance exits for both federally backed and private loans across the reporting period, as a percentage of all forbearance exits, highlighting the differences between servicers:

FIGURE 11: DELINQUENT COVID-19 HARDSHIP FORBEARANCE EXIT RATES AVERAGED DURING REPORTING PERIOD – BY SERVICER



Rates for individual servicers during the reporting period showed significant variability, with some servicers showing substantial increases in the final months of the reporting period:

FIGURE 12: PERCENTAGE OF DELINQUENT COVID-19 HARDSHIP FORBEARANCE EXITS – BY SERVICER



In summary, many servicers saw increased delinquent exit rates in March and April 2021, and some servicers were clear outliers. For federally backed loans, three servicers had relatively higher delinquent exit rates for one or more serviced portfolios – consistently exceeding 50%. These servicers, including one bank servicer, used the same sub-servicer for the reported portfolio(s). In addition, a subprime servicer's rate of delinquent exits increased from less than 15% to more approximately 60% in April 2021. For private loans, two servicers – including two of the same servicers with higher rates for federally backed loans – saw delinquent exit rates exceeding 50% for private loans as of April 2021.

2.5.3 Delinquent Borrowers Who Did Not Request COVID-19 Hardship Forbearances

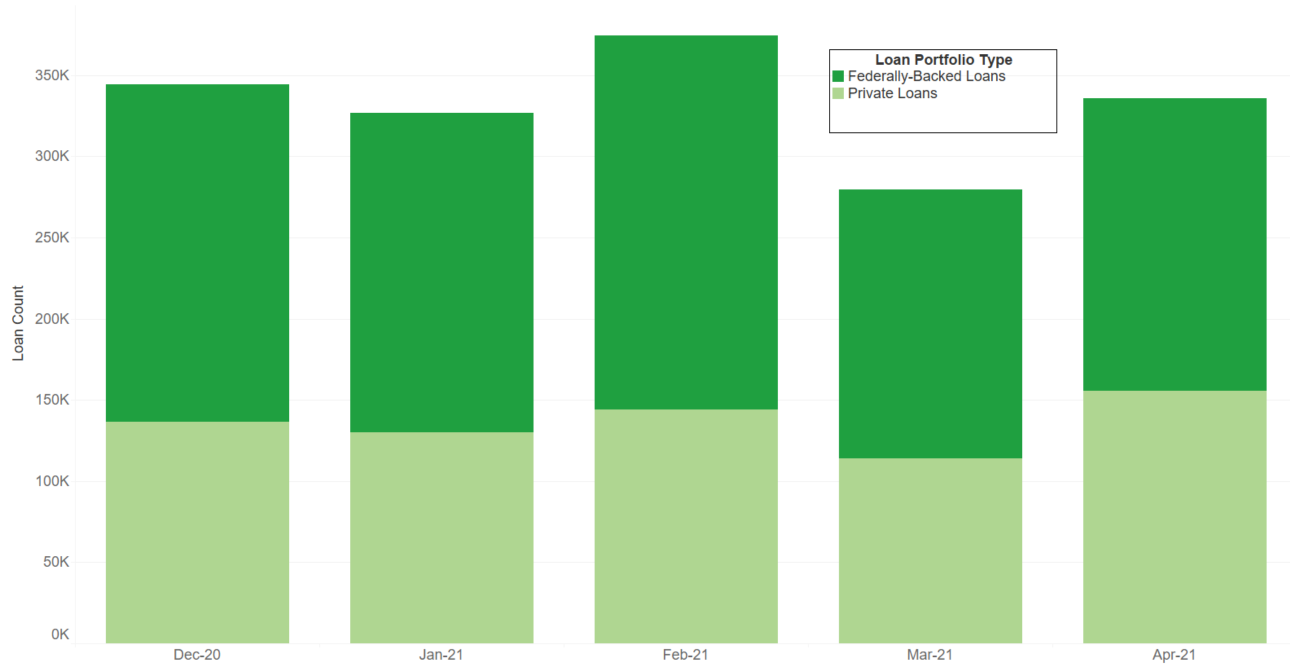
Servicers also reported monthly data on the number of delinquent borrowers who did not request any COVID-19 hardship forbearances during the pandemic.[21] Across the industry, as of June 2021, about 179,000 of mortgage borrowers were 90+ days delinquent and had not participated in a forbearance plan. And about 569,000 borrowers with early stage delinquencies had not participated in a forbearance plan.[22] The metrics Supervision obtained related to delinquent borrowers who did not request assistance during the pandemic are discussed below.

First, servicers reported the total number of loans during the reporting period that were delinquent and where the borrower did not request a COVID-19 hardship forbearance. This illustration shows the aggregate population of these borrowers for all servicers by month:

[21] In addition to borrowers who have remained delinquent throughout the pandemic, this metric may also capture some borrowers who recently became delinquent and did not yet request assistance for each month of the reporting period.

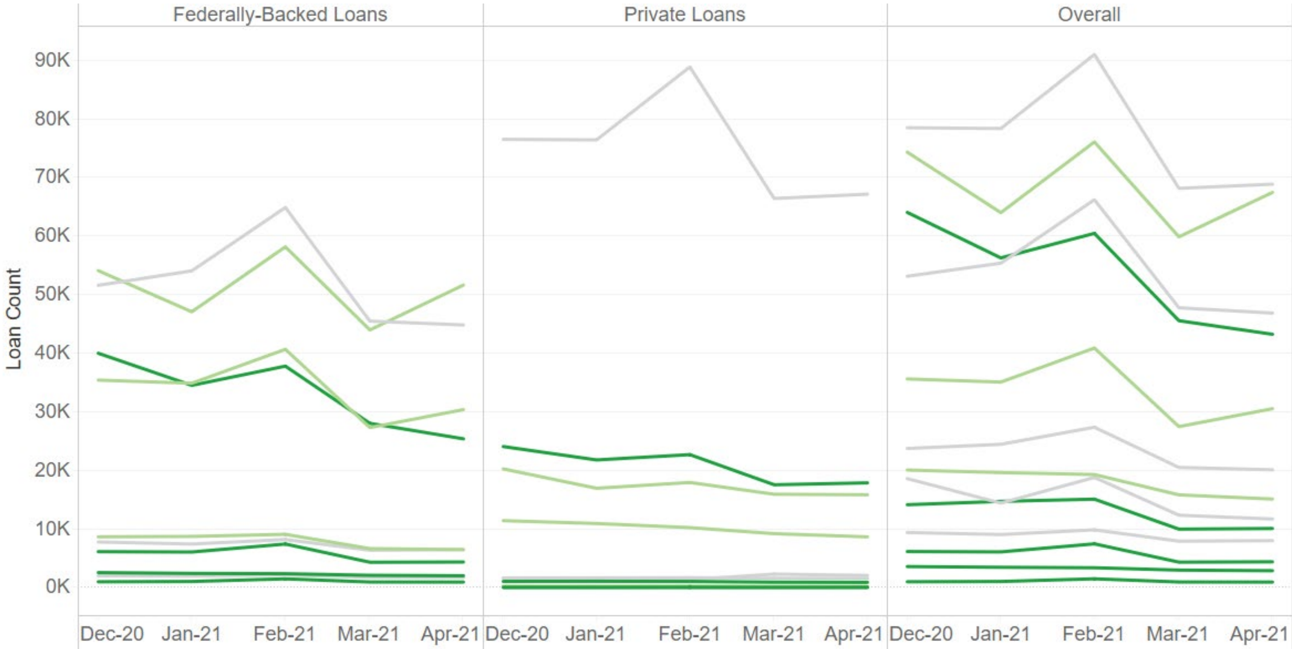
[22] Black Knight Mortgage Monitor, June 2021, https://cdn.blackknightinc.com/wp-content/uploads/2021/07/BKI_MM_June2021_Report.pdf.

FIGURE 13: DELINQUENT BORROWERS WHO DID NOT REQUEST COVID-19 HARDSHIP FORBEARANCE – TOTAL FOR ALL SERVICERS



The aggregate reported monthly count of delinquent borrowers who did not request COVID-19 hardship forbearances ranged from about 323,0000 to 437,000 each month of the reporting period, with a range of about 166,000-231,000 borrowers with federally backed loans and about 114,000-156,000 borrowers with private loans. The next illustration shows individual counts by servicer for federally backed loans, private loans, and overall:

FIGURE 14: DELINQUENT BORROWERS WHO DID NOT REQUEST COVID-19 HARDSHIP FORBEARANCE – BY SERVICER



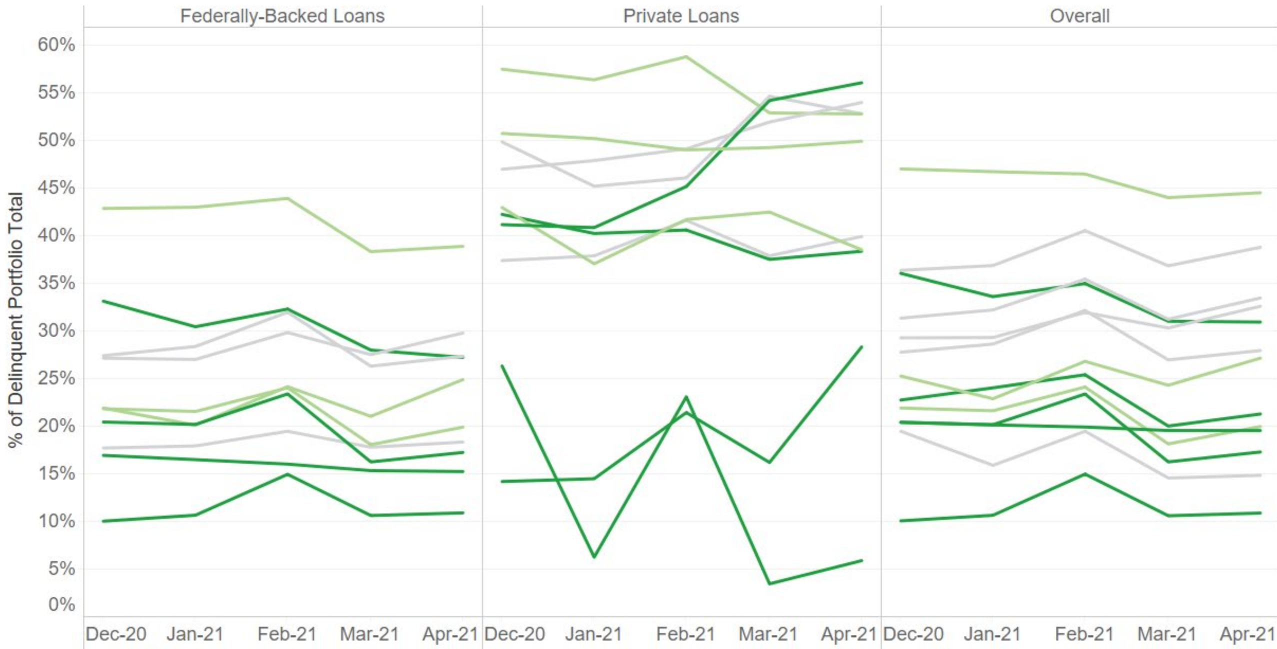
A few servicers accounted for most of the population of borrowers who were delinquent and did not request COVID-19 hardship forbearances, reporting a range of about 45,000-90,000 loans each month of the reporting period. The illustration below shows this population of borrowers as a percentage of the servicer's overall loan portfolio:

FIGURE 15: DELINQUENT BORROWERS WHO DID NOT REQUEST COVID-19 HARDSHIP FORBEARANCE AS PERCENTAGE OF OVERALL PORTFOLIO – BY SERVICER

As a percentage of all loans in the reported portfolio, delinquent borrowers did not request COVID-19 hardship forbearances during the pandemic at comparable rates across servicers, ranging from about 1% to a high of 5% for federally backed loans and 0% to 4% for most private loan portfolios. However, three servicers had significantly higher rates, ranging from 6% to 10%, for private loans.

Similarly, the illustration below shows the same population (delinquent borrowers who did not request COVID-19 hardship forbearances during the pandemic) as a percentage of the total number of delinquent loans at each servicer. Servicers with higher delinquency rates had a larger percentage of delinquent borrowers who did not request assistance during the reporting period.

FIGURE 16: DELINQUENT BORROWERS WHO DID NOT REQUEST COVID-19 HARDSHIP FORBEARANCE AS PERCENTAGE OF DELINQUENT PORTFOLIO – BY SERVICER



For federally backed loans, a bank servicer with loans serviced by a sub-servicer saw the highest rate of delinquent borrowers who did not request forbearance during the reporting period – between 38% and 44%. Another servicer also had relatively high rates, between 30% and 39%. For private loans, the rates of delinquent loans for borrowers who never requested COVID-19 hardship forbearances during the pandemic were higher – exceeding 50% for some servicers.

2.5.4 Delinquency Key Observations

Growing numbers of borrowers exited COVID-19 hardship forbearance in a delinquent status during the reporting period. Higher numbers and rates in the delinquency metrics may indicate an elevated risk of harm to borrowers at some servicers. Assistance is widely available for both federally backed and private loans and, as described above, forbearance requests are typically streamlined and granted at these servicers. Overall, the delinquency metrics indicate areas of risk and opportunities for some servicers to reduce avoidable foreclosures and other potential harm to delinquent borrowers by enhancing outreach efforts, including live contact, to increase the likelihood of borrowers requesting and enrolling in COVID-19 hardship forbearances or other loss mitigation options.

2.6 Borrower Profiles

The CFPB also requested information from the 16 servicers about borrowers' LEP status and certain demographic information to understand if borrowers with LEP and racial minorities availed themselves of the CARES Act's home mortgage loan forbearance provisions. The servicers' responses varied widely in quality, clarity, and completeness.

2.6.1 Limited English Proficiency

Of the 16 servicers, nearly half clearly stated that they did not collect or maintain information about borrowers' LEP status. The CFPB's review of responses from servicers indicating that they collected and maintained information regarding language preferences revealed that these servicers recorded this information in a number of ways: by associating an LEP flag with a particular borrower; by listing a language other than English as a preferred language at the account level; or by listing a language other than English as the preferred language in servicing notes, rather than as part of the basic set of information about the borrower. The wide range of means through which LEP status was recorded (or not recorded) did not allow for comparisons in pandemic responses across servicers. The level and type of assistance resulting from servicers recording borrowers' language information was outside of the scope of this review.

The collection and use of information about borrowers' LEP status varied in a number of ways and consequently did not allow for comparisons in pandemic responses across servicers. In the CFPB's experience, data collection regarding consumer language preference, when such data are used in a manner consistent with applicable laws, can be a useful starting point to know which customers need LEP services, and providing LEP services can promote access to financial products and services.[23] Based on the servicers' responses, the CFPB observes that servicers are approaching the servicing of LEP borrowers in a number of ways. Given that some servicers do not collect information about LEP status and other servicers collect this data, it is possible that borrowers requiring language assistance will be offered different types of language interpretation and translation services. The attendant fair lending risk may also vary depending on how borrowers seeking assistance in a language other than English are treated, regardless of LEP data collection practices. To avoid the risk of harm to vulnerable populations, the CFPB encourages servicers to evaluate the fair lending risk related to servicing borrowers with LEP

[23] Bureau of Consumer Financial Protection, Statement Regarding the Provision of Financial Products and Services to Consumers with Limited English Proficiency (January 13, 2021), *available at*: https://www.consumerfinance.gov/documents/9461/cfpb_lep-statement_2021-01.pdf.

and ensure that their fair lending CMS is sufficiently equipped to identify and address the attendant risk.

2.6.2 Race

The CFPB requested information about whether borrowers' race information is available through the accountholder's origination file, whether proxy analysis is conducted to calculate the probabilities and assign one or more races to a borrower, or some other means are used when conducting fair lending statistical or other compliance analysis. The responses received by the CFPB in this regard also varied widely in quality, clarity, and completeness. Of the 16 servicers that reported information, four servicers stated that they did not compile or maintain data on borrowers' race. It was not clear from these responses whether these servicers periodically generate proxies in order to conduct fair lending compliance analyses and to ensure ECOA and Regulation B compliance but do not otherwise compile or maintain race data or if compliance analyses are not conducted at all.

The servicers that maintained race information associated with a serviced account did so in a number of different ways. Several servicers extracted this information from the borrowers' origination file, while others provided the results of their proxy analysis. Servicers sometimes also assigned one or more race categories to groups of borrowers, and it was not clear based on the multiple race categories listed how a borrower or account would be classified in any fair lending analysis testing for the impact of race. Similar to the collection and use of LEP status, the significant variances in the ways in which race was reported (or not reported) did not allow for comparisons in pandemic responses across servicers. To avoid risk of harm to vulnerable populations of borrowers, the CFPB encourages servicers to evaluate the fair lending risk inherent in their servicing operations and include the prohibited basis group or race in any statistical or compliance analysis.

3. Conclusion

The data provided by 16 servicers to Supervision in the Metrics Requests indicate that some populations of borrowers at these servicers may have difficulty establishing live contact and obtaining assistance from some servicers. The data also suggest that growing numbers of borrowers are exiting COVID-19 hardship forbearances in a delinquent status, and some servicers are substantially underperforming their peers in key effectiveness metrics.

Servicers' collection, categorization, and management of information about borrowers who have limited English proficiency and of information related to consumers' race varied widely. As a result, the CFPB could not evaluate the impact of the CARES Act's home mortgage loan forbearance provisions on these two groups.

To avoid the risk of harm to borrowers, the CFPB encourages servicers to enhance their communication capabilities and outreach efforts to educate and assist all borrowers in resolving delinquency and enrolling in widely available assistance and loss mitigation options. The CFPB also encourages servicers to ensure that their compliance management systems include robust measures to identify and mitigate fair lending risk.

The CFPB anticipates conducting follow-up work to gather more information from the servicers described in this report and address outliers in certain metrics. Additionally, the CFPB will continue its mortgage servicing oversight work through examinations and enforcement, and it will hold servicers accountable for complying with existing Regulation X requirements, as well as the amended requirements once they take effect.

Appendix A:

Enlarged Illustrations of Selected Figures

FIGURE 2: Average Speed to Answer – by Servicer

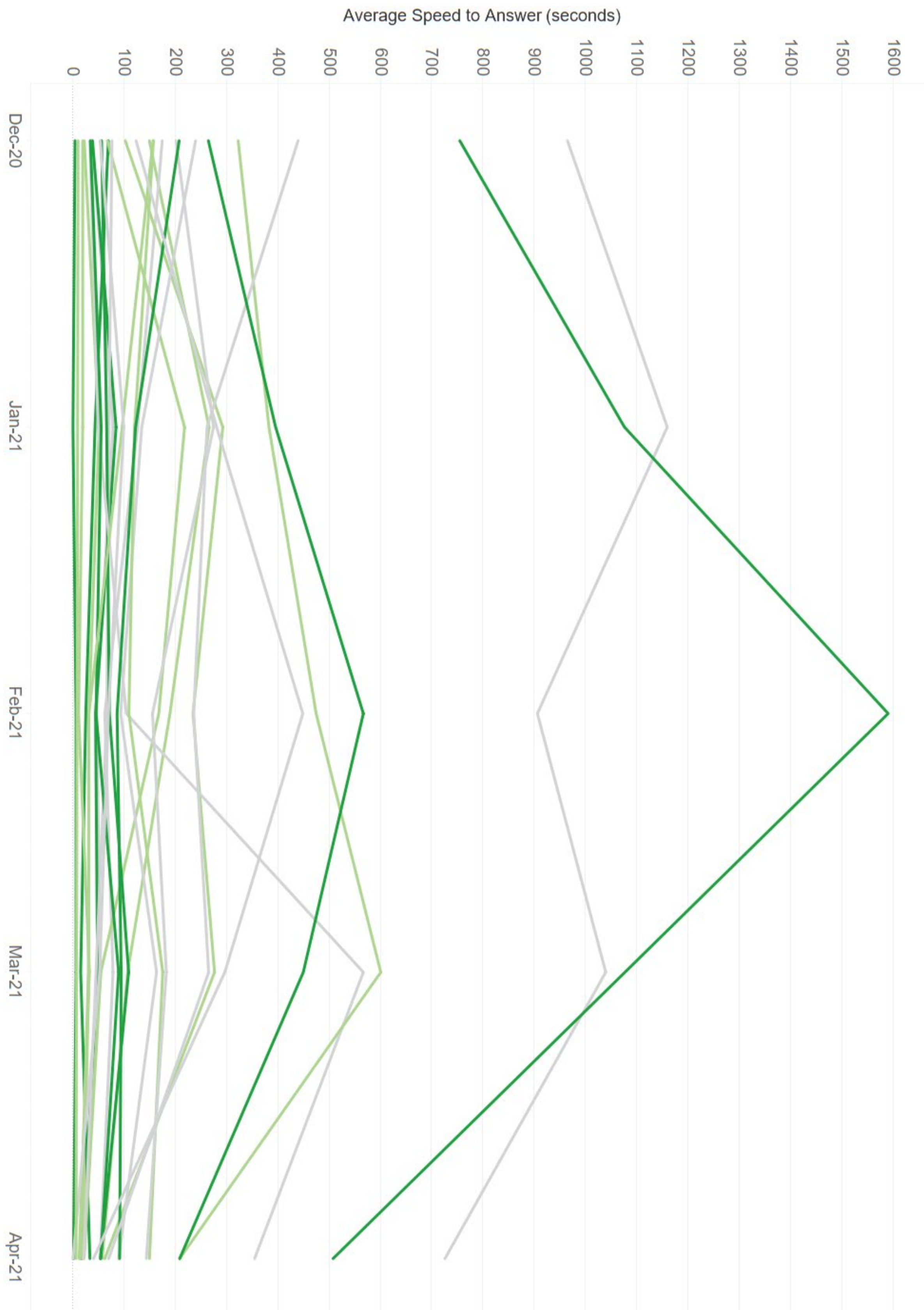


FIGURE 3: Abandonment Rate – by Servicer

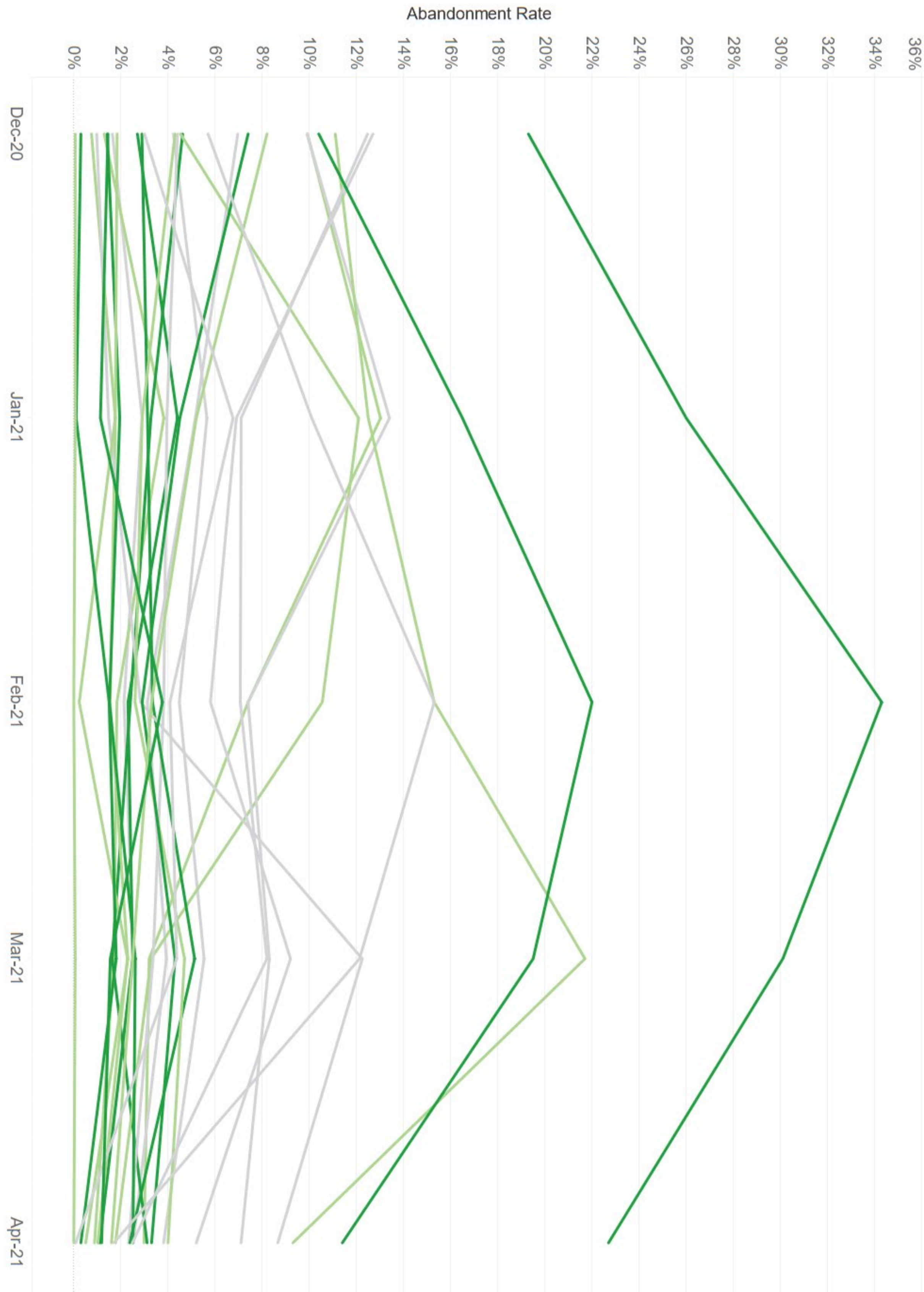


FIGURE 4: Average Handle Time – by Servicer

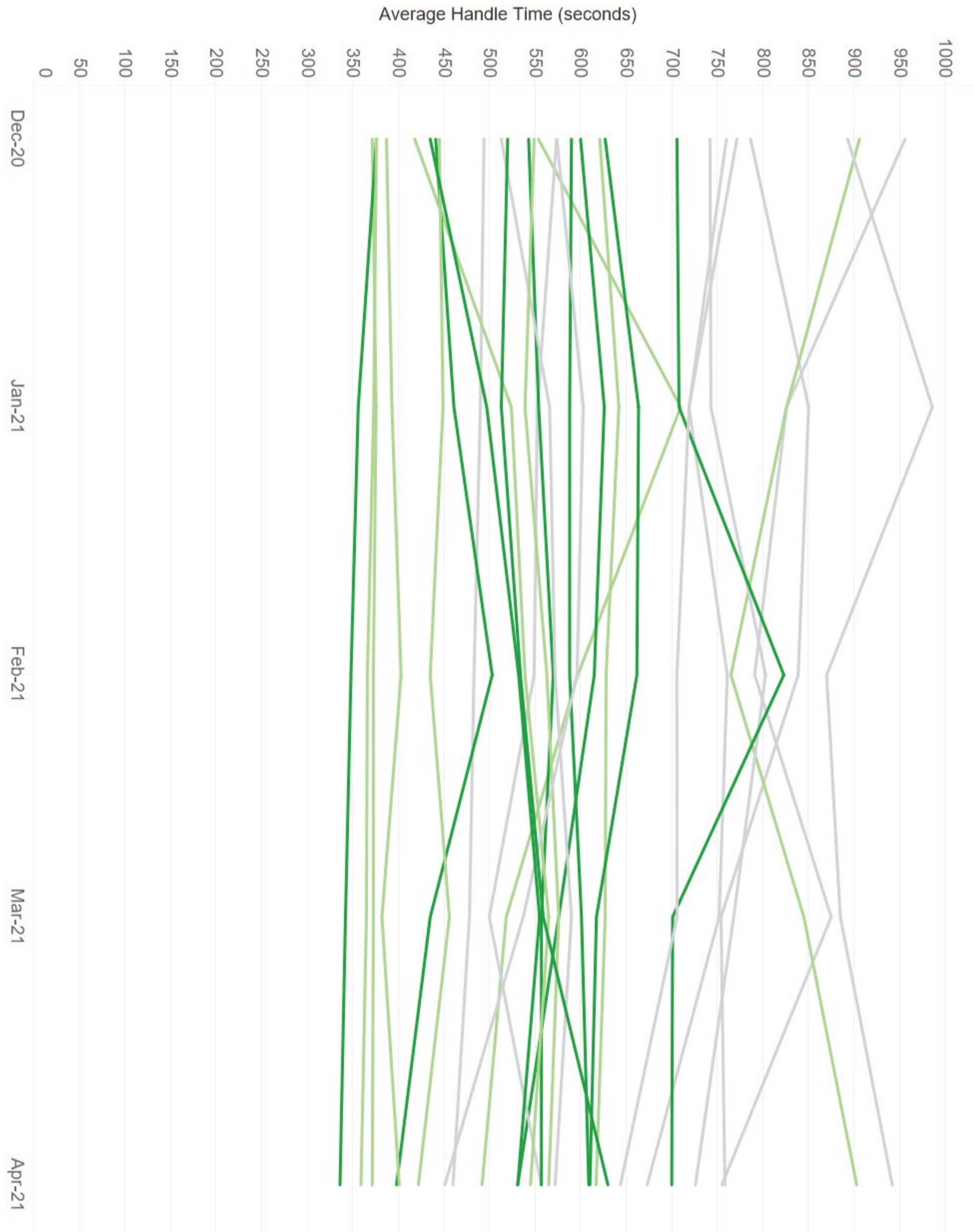


FIGURE 7: Exits from COVID-19 Hardship Forbearance – by Servicer