CONSUMER FINANCIAL PROTECTION BUREAU | MAY 2022

Mortgage Servicing COVID-19 Pandemic Response Metrics: New Observations from Data Reported by Sixteen Servicers for May-December 2021

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 August 2021, the CFPB published a report on observations from data obtained by 16 large mortgage servicers for the period from December 2020 through April 2021. The report addressed key metrics for call center data, forbearance enrollments and exits, delinquency, and borrower profiles.

Subsequently, the CFPB obtained similar data from the same 16 servicers, representing approximately one-third of the residential mortgage market by total dollar amount of loans serviced, for the period from May through December 2021. This report provides data and key observations from that period. These servicers have significant differences in the loans they service, including loan type (VA, FHA, GSE, PLS or portfolio), the delinquency status of the loans prior to the COVID-19 pandemic, and even the geography of where borrowers are located, which may account for some of the differences noted below. In summary, the CFPB's key observations are:

- *Call center hold time variability.* Some servicers were outliers in the reported call metrics data, including relatively high average hold times exceeding ten minutes and call abandonment rates exceeding 30%. Borrowers may be at higher risk of obtaining untimely assistance from these servicers.
- *Delinquency and exits from forbearance.* The number and rate of delinquent exits from COVID-19 hardship forbearances increased during the reporting period. Overall, 15% of loans exited forbearance in a delinquent status, with no loss mitigation in place, with some servicers reporting significantly higher figures. While servicers have made progress in working through these delinquent loans, large numbers of borrowers – over 330,000 at the 16 servicers – remained delinquent as of the end of 2021. These borrowers continue to face a risk of harm, underscoring the importance of prioritizing borrower outreach and transitions into loss mitigation solutions and the related regulatory requirements.
- *Servicer data challenges.* Some servicers did not track, or were otherwise unable to provide, data for key metrics, such as the amount of time borrowers spend on Interactive Voice Response (IVR) systems before connecting to the queue to speak with a live call center agent. Some servicers also reported inconsistent data. These issues raise questions about the servicers' ability to track and to report high-quality data and to monitor their responsiveness and compliance.

- *Borrower demographics*. The collection, categorization, and maintenance of information about borrowers' race, ethnicity and language preference varied widely among servicers in clarity and completeness. The significant variances in the level of detail and amount of available information did not allow for comparisons across servicers.
- *Borrowers with Limited English Proficiency (LEP borrowers)*. The number of LEP borrowers whose loans were delinquent without a loss mitigation option after exiting forbearance increased between October and December 2021, while the number of non-LEP borrowers who were delinquent without a loss mitigation option after forbearance decreased during the same period.

1.1 Background and Data

After peaking in mid-2020, the number of borrowers enrolled in COVID-19 hardship forbearances has steadily declined. Of the over 8 million borrowers who have enrolled in forbearances during the pandemic, approximately 90% have exited.[1] As of March 2022, approximately 743,000 borrowers remained enrolled in active forbearance plans.[2]

The CFPB has prioritized oversight of mortgage servicers during the COVID-19 pandemic to avoid the risk of harm to borrowers, with special attention to servicers' management of forbearance exits and the loss mitigation process, especially at the point of forbearance exit.[3] Since the publication of the August 2021 report, the CFPB has continued these efforts through supervision, enforcement, rulemaking, and other avenues. For example, the CFPB issued a final rule, which became effective in August 2021, amending Regulation X to assist borrowers impacted by the COVID-19 pandemic.[4] The final rule established temporary procedural safeguards, which were in effect through December 31, 2021, to help ensure that borrowers have a meaningful opportunity to be reviewed for loss mitigation before foreclosure. In addition, the rule allows servicers to offer certain streamlined loan modifications based on the evaluation of

[1] *See* Black Knight Mortgage Monitor, February 2022 Report, https://www.blackknightinc.com/wp-content/uploads/2022/04/BKI_MM_Feb2022_Report.pdf.

[2] *Id.*

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

[4] *See* 86 Fed. Reg. 34848, https://www.federalregister.gov/documents/2021/06/30/2021-13964/protections-for-borrowers-affected-by-the-covid-19-emergency-under-the-real-estate-settlement.

incomplete loss mitigation applications. The final rule also established communication requirements for certain borrowers facing foreclosure, exiting forbearance, or struggling to make mortgage payments.

In November 2021, the CFPB published a report detailing the CFPB's pandemic response[5] and issued a joint statement withdrawing the supervisory and enforcement flexibility announced at the outset of the pandemic.[6] In December 2021, the CFPB issued a joint letter with the Department of Justice reminding servicers of CARES Act protections applicable to servicemembers and veteran homeowners[7] and published its Fall 2021 issue of Supervisory Highlights, which included summaries of legal violations by mortgage servicers.[8]

The Metrics Requests are part of the CFPB's ongoing supervisory monitoring of servicers' COVID-19 pandemic response. The August 2021 report provided observations of data for 16 servicers from December 2020 through April 2021. The current report provides observations for the same 16 servicers from the reporting period of May through December 2021. As with the prior report, this report is intended to provide insight into how servicers are responding to the pandemic and to identify possible outliers and areas of elevated consumer risk for each metric. Given the large number of borrowers who exited forbearance in 2021, the current report focuses primarily on servicers' handling of forbearance exits and loss mitigation. The report also includes observations regarding certain metrics not included in the August 2021 report.

This report summarizes key observations in the following topics:

1. Servicing portfolio
2. Call metrics
3. COVID-19 hardship forbearance enrollments

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[5] Consumer Fin. Prot. Bureau, *Mortgage Servicing Efforts in Response to the COVID-19 Pandemic* (Nov. 2011), https://files.consumerfinance.gov/f/documents/cfpb_mortgage-servicing-efforts-response-coivd-19-pandemic_white-paper_2021-11.pdf.

[6] *See* November 10, 2021 Joint Statement on Supervisory and Enforcement Practices Regarding the Mortgage Servicing Rules in Response to the Continuing COVID-19 Pandemic and CARES Act, *available at* https://files.consumerfinance.gov/f/documents/cfpb_mortgage-servicing-rules_joint-statement_2021-11.pdf.

[7] *See* December 2021 Notification Letter, *available at* https://files.consumerfinance.gov/f/documents/cfpb_military-homeowner-protections_doj-servicer-letter_2021-12.pdf.

[8] Consumer Fin. Prot. Bureau, *Supervisory Highlights* (Dec. 2021), https://files.consumerfinance.gov/f/documents/cfpb_supervisory-highlights_issue-25_2021-12.pdf. *See also* Lorelei Salas, Seven Examples of Unfair Practices and Other Violations by Mortgage Servicers: CFPB Supervision Activities Uncover Red Flags (Dec. 2021), https://www.consumerfinance.gov/about-us/blog/seven-examples-unfair-practices-and-other-violations-mortgage-servicers-cfpb-supervision-activities-uncover-red-flags/.

4. COVID-19 hardship forbearance exits
5. Delinquency
6. Borrower profiles

Where possible, metrics are divided into two categories, federally backed loans (*i.e.*, VA, FHA, USDA, or GSE loans (Fannie Mae and Freddie Mac)) and private loans, and presented both for individual servicers and in aggregate for all servicers.[9] Illustrations with anonymized data are included for certain metrics. Because the data provided by servicers is confidential supervisory information, the report does not identify servicers by name.

The data and observations discussed in this report are subject to limitations, including the following:[10]

- 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 for each month of the reporting period. 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 CFPB added, deleted, and revised some data requests, including instructions and definitions, for the reporting period addressed in this report. As a result, for some metrics, this report and the August 2021 report may not capture the same data.
- The observations for specific metrics in this report do not take into account the different compositions and risk profiles of servicer portfolios.

[9] In some cases, data cannot be presented in aggregate for one servicer because the servicer reported separate data for some serviced portfolios.

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

2. Metrics

2.1 Servicing Portfolio

Servicers provided loan portfolio data for approximately 21 million loans, including nearly 17.6 million (84%) federally backed loans and 3.4 million (16%) private loans.[11] Most servicers reported that the total number of loans serviced in their portfolios each month of the reporting period was between 500,000 and 2 million loans. Although loan volume is a straightforward figure, at least two servicers initially misreported loan volume to examiners, calling into question their data reporting capabilities more generally.

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 one or more call centers on 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.[12]

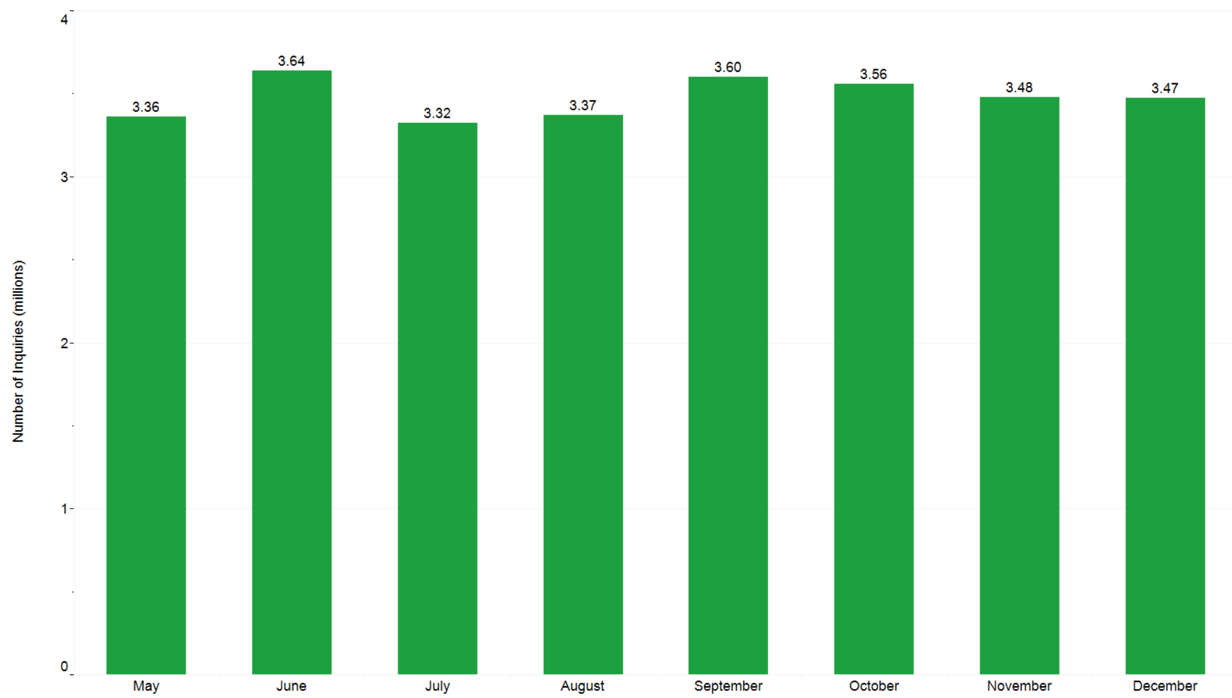
2.2.1 Volume of Consumer Inquiries

This metric tracks the number of consumer inquiries to servicer call centers. Overall, servicers reported between 3.32 and 3.64 million inquiries during each month of the reporting period:

[11] The number of reported loans serviced by the 16 servicers increased since the previous reporting period due to, among other things, servicing of new loan portfolios.

[12] Servicers do not track data, and did not calculate these metrics, in 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.

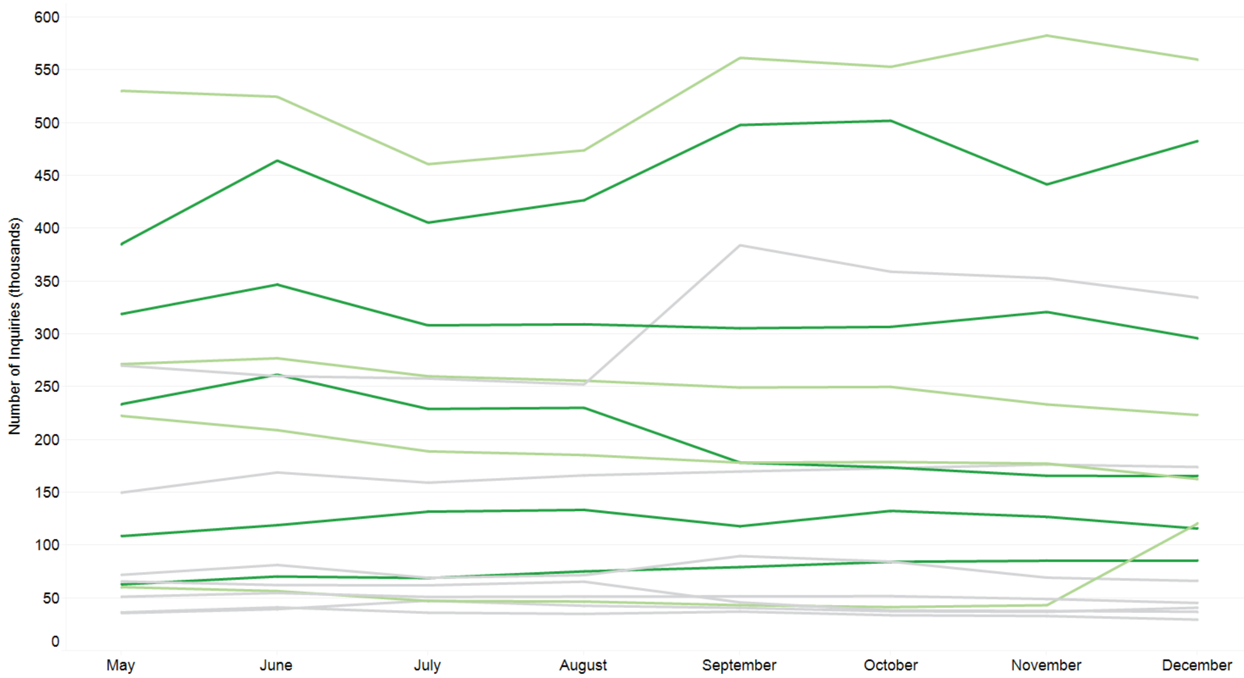
FIGURE 1: CALL CENTER INQUIRIES – TOTAL FOR ALL SERVICERS BY MONTH 2021



Servicers defined inquiries in different ways. Generally, servicers fell into two groups: those that counted calls that entered the IVR system and terminated before entering the queue for agents, and those that did not.[13] The aggregate number of call center inquiries during the reporting period for all servicers was nearly 28 million. No major spikes in call volume were observed. Overall, reported call volume decreased from the reporting period of the first metrics report (December 2020 through April 2021), when it exceeded 4 million during each month. Individual servicers generally did not report large fluctuations in the number of inquiries during the reporting period:

[13] Some servicers also differed in whether they included calls that were abandoned after a brief duration (*e.g.*, 5 seconds) as "inquiries." It is unclear whether servicers that excluded abandoned calls, or IVR-only calls, from inquiries otherwise track data for these excluded calls.

FIGURE 2: CALL CENTER INQUIRIES – TOTAL FOR INDIVIDUAL SERVICERS BY MONTH 2021



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. For the reporting period of May through December 2021, servicers reported at least one of two ASA metrics: (i) ASA measured from the time a borrower's call enters the servicer's IVR system and (ii) ASA measured from the time a call is added to the queue to speak with a representative (not including time in the servicer's IVR system). For the first group, average ASA during the reporting period was 2.95 minutes (177 seconds). For the second group, the average ASA was 1.46 minutes (88 seconds).

The illustrations below present the ASAs in these two groups:[14]

[14] For visual clarity, Figure 4 excludes data for servicers that reported ASA below 200 seconds for each month of the reporting period.

FIGURE 3: AVERAGE SPEED TO ANSWER (INCLUDING TIME ON IVR SYSTEMS) – INDIVIDUAL SERVICERS BY MONTH 2021

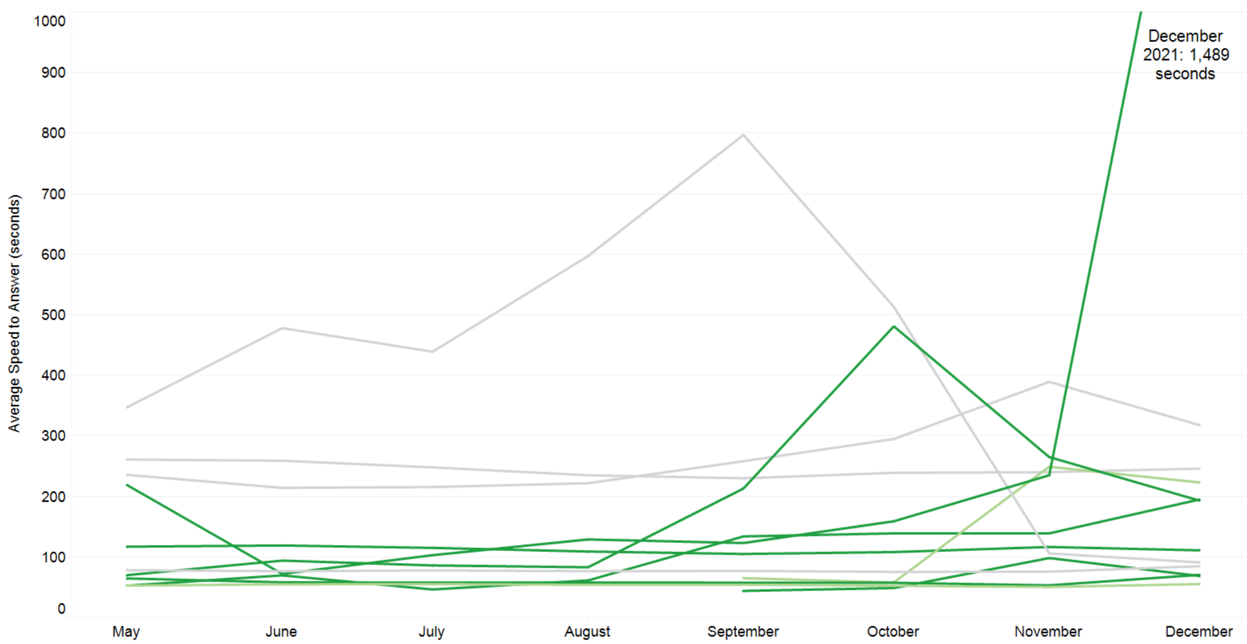
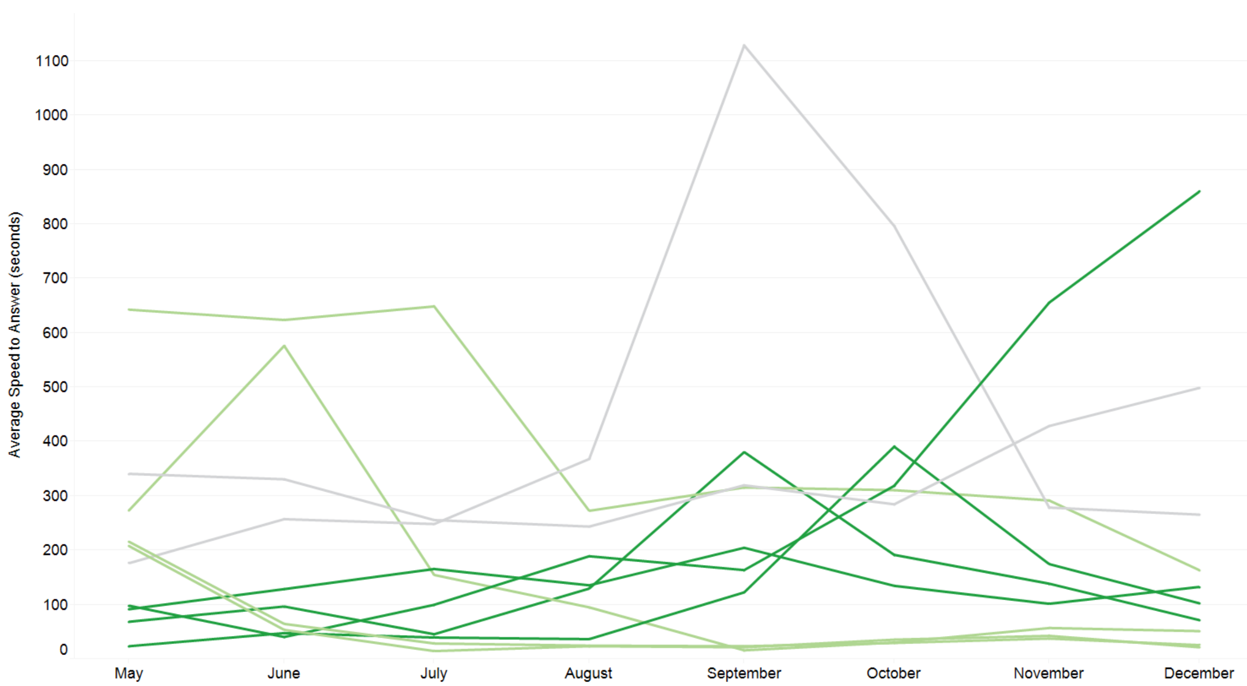


FIGURE 4: AVERAGE SPEED TO ANSWER (EXCLUDING TIME ON IVR SYSTEMS) – INDIVIDUAL SERVICERS BY MONTH 2021



Some servicers reported large spikes in ASA. One servicer saw ASA spike to 18.3 minutes in September 2021 (13.3 minutes without including IVR) before falling to less than 5 minutes (less than 1.7 minutes without including IVR) by November 2021. A bank servicer reported consistently increasing ASAs, reaching over 13.3 minutes (excluding IVR) by December 2021. Another bank servicer reported a large ASA spike to nearly 25 minutes (including IVR) in December 2021. Two of the three servicers reported increases in the volume of inquiries during those months. These increases were relatively small compared to the ASA spikes, suggesting other servicer-specific issues, such as staffing challenges.

The inability of some servicers to provide data for the longer measure of ASA – including time spent by borrowers on an IVR system before connecting to the queue for a live agent – indicates a potential weakness in servicers' monitoring and compliance.[15] If servicers do not track this data, and instead rely on generalizations or estimates regarding the amount of time borrowers spend on IVR systems, they may lack valuable insight into borrowers' experience with IVR systems and ability to access assistance on the phone.

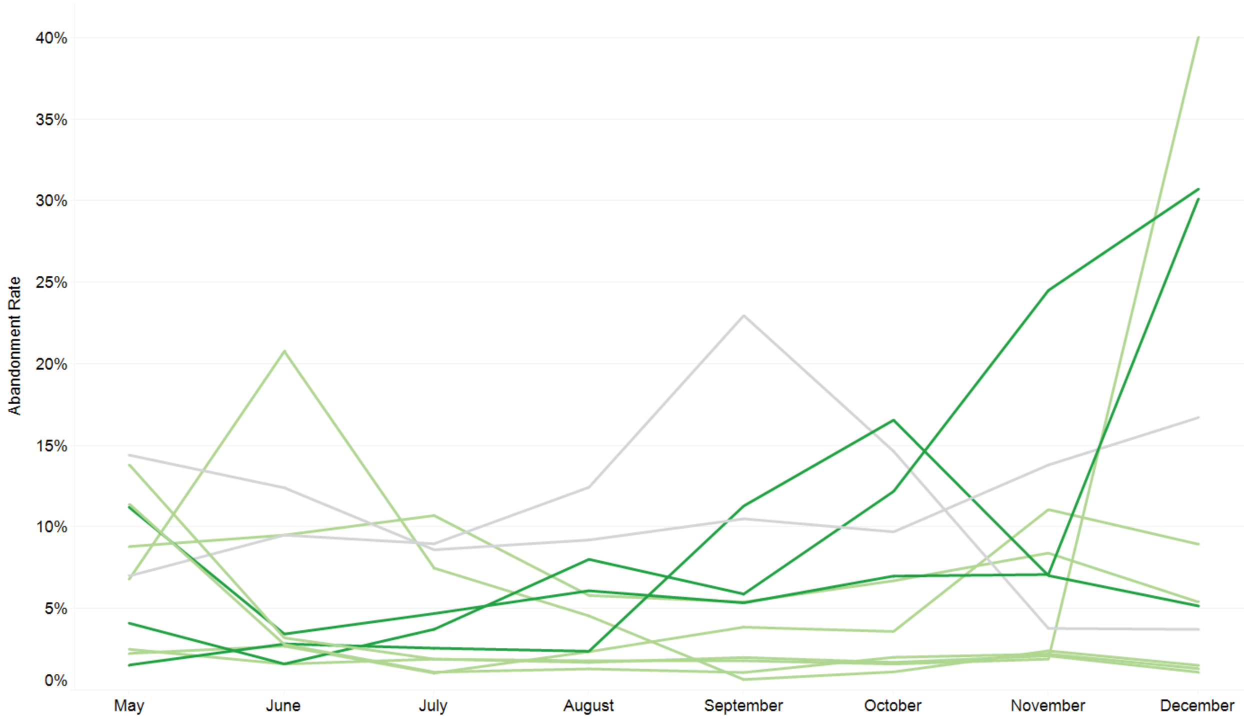
2.2.3 Abandonment Rates (AR)

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:[16]

[15] Some servicers separately provided an overall average or estimated amount of the time borrowers spend on IVR systems, rather than providing the requested monthly data. The source, reliability, and application of this information to the ASA metric is unclear.

[16] For visual clarity, Figure 5 excludes data for servicers that reported AR below 10% for each month of the reporting period.

FIGURE 5: ABANDONMENT RATE – INDIVIDUAL SERVICERS BY MONTH 2021

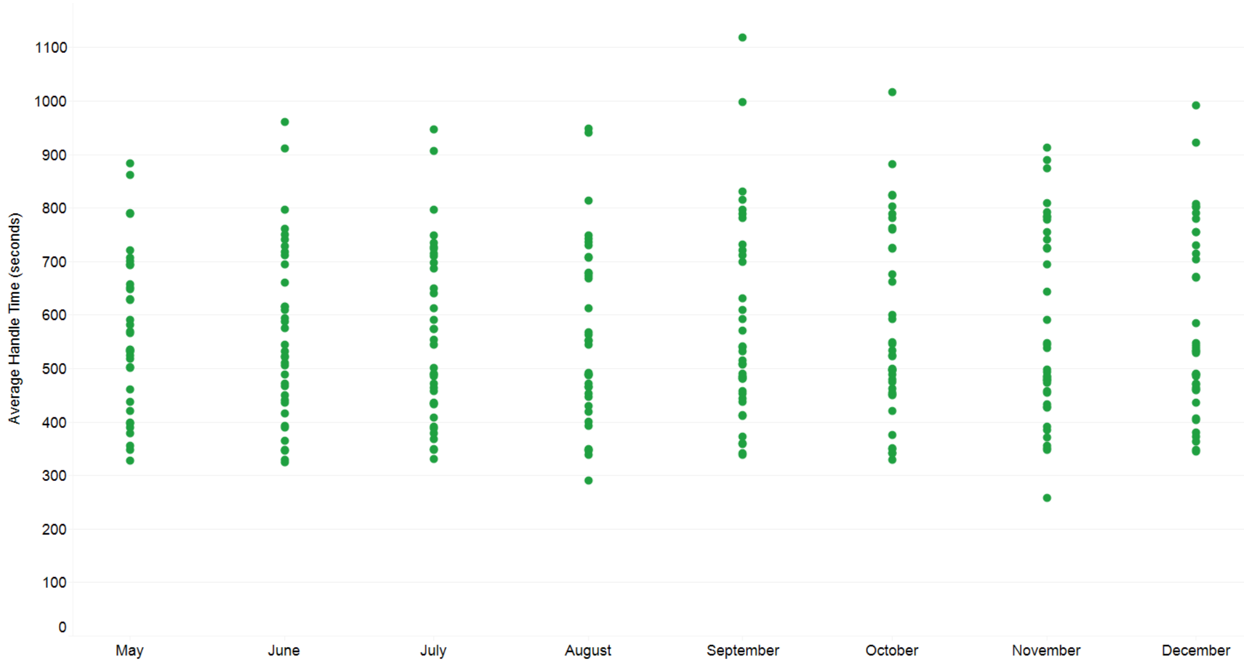


Overall, most servicers reported AR well below 10% during the reporting period. A few servicers reported spikes or had consistently higher AR. Servicers that reported spikes in ASA saw corresponding spikes in AR. For example, the same servicer that reported a large ASA spike in September 2021 saw abandonment rates exceeding 22% that month, before falling to less than 5% by November 2021. In addition, in December 2021, four servicers, including three bank servicers and one subservicer, reported large AR spikes, exceeding prior reported AR for each of those servicers, ranging from approximately 16% to 40%. In other words, during the most recent month of the reporting period, about one out of three borrowers terminated their calls before completion at some servicers.

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 the range of reported AHT for each month of the reporting period:

FIGURE 6: AVERAGE HANDLE TIME – INDIVIDUAL SERVICERS BY MONTH 2021



Reported AHT ranged from 4.3 to 19.8 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 several servicers reported increases in AHT in December 2021.

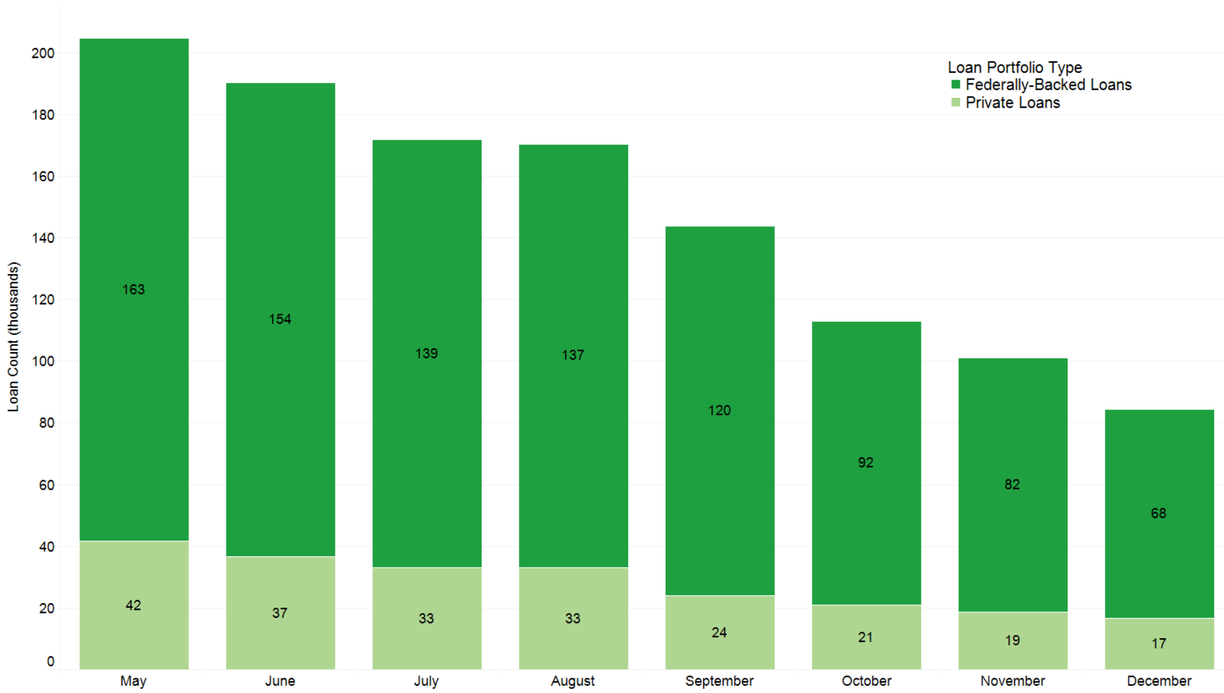
2.2.5 Call Metrics Key Observations

Overall, most servicers reported stable call metrics during the reporting period. A few servicers reported significant spikes in ASA and AR, some at the end of the reporting period. The servicers that were outliers were different in each reporting period. Borrowers may face relatively more challenges obtaining assistance over the phone at these servicers (or specific call centers at these servicers), particularly if ASA and AR remains elevated over time.

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 forbearance offered under the CARES Act for federally backed loans and similar forbearance programs offered by private loan holders during the pandemic. The aggregate number of monthly COVID-19 hardship forbearance enrollments at these servicers decreased substantially during the reporting period, falling from 163,000 to 68,000 for federally backed loans and from 42,000 to 17,000 for private loans.

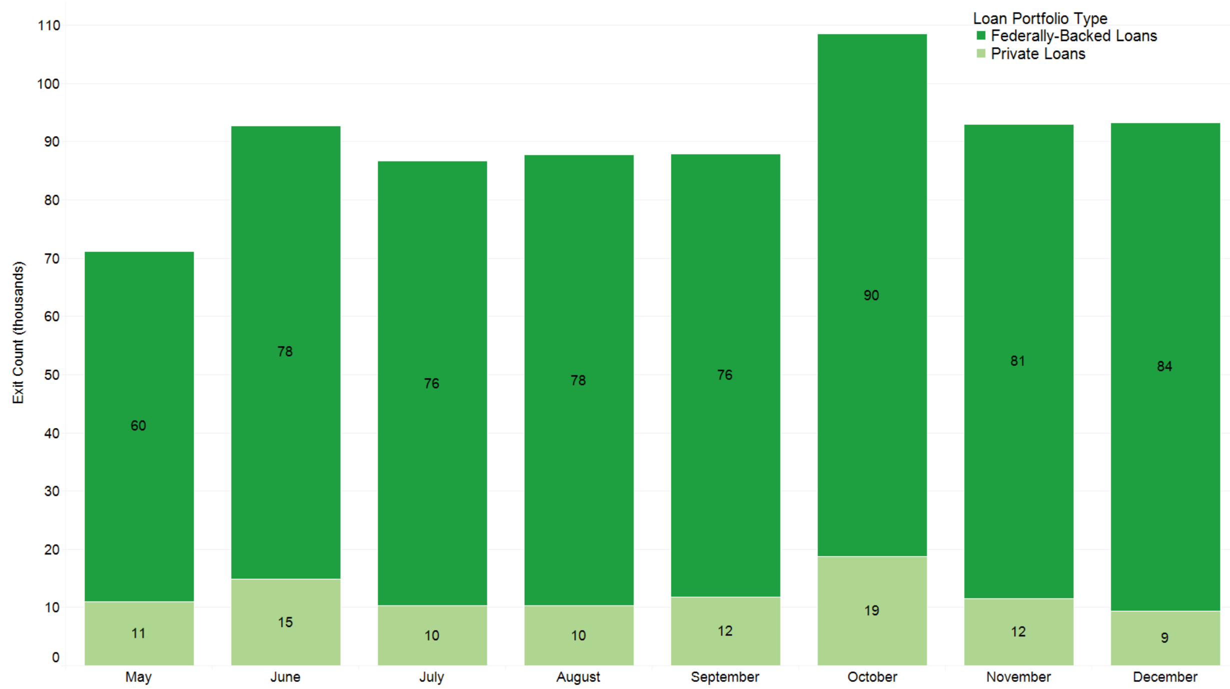
FIGURE 7: ENROLLMENTS IN COVID-19 HARDSHIP FORBEARANCE – TOTAL FOR ALL SERVICERS BY MONTH 2021



2.4 COVID-19 Hardship Forbearance Exits

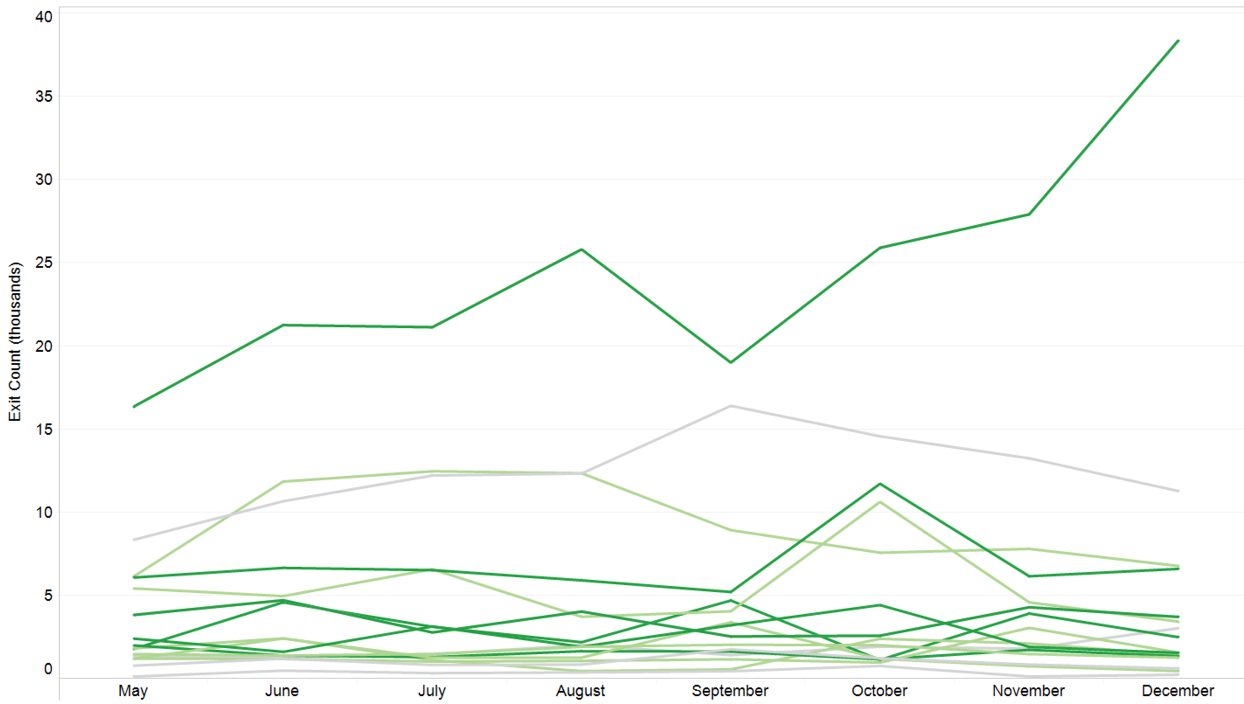
The CFPB also requested data on loans exiting COVID-19 hardship forbearance and the status of borrowers exiting forbearance programs. The illustration below shows the aggregate number of reported COVID-19 hardship forbearance exits for all servicers:

FIGURE 8: EXITS FROM COVID-19 HARDSHIP FORBEARANCE – TOTAL FOR ALL SERVICERS BY MONTH 2021



The aggregate reported number of COVID-19 hardship forbearance exits from all servicers increased from approximately 60,000 to 84,000 per month (peaking at 90,000 in October 2021) for federally backed loans and ranged from approximately 10,000-19,000 for private loans. The illustration below shows the number of exits by servicer for federally backed loans:

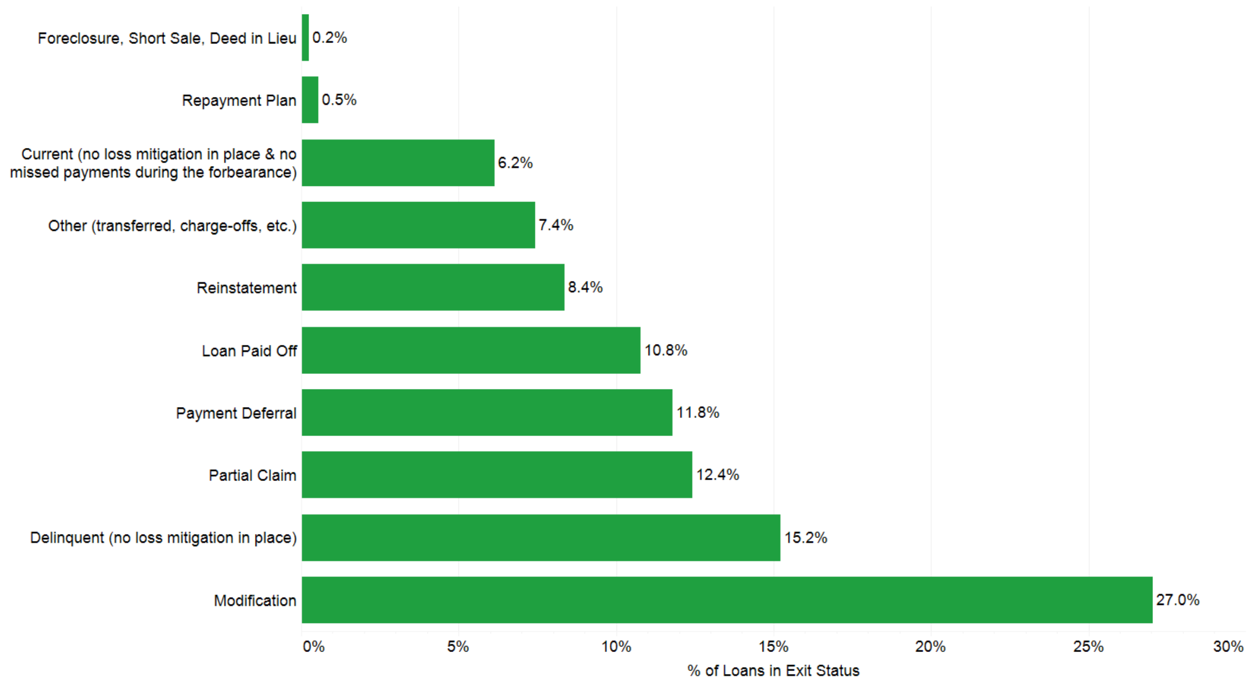
FIGURE 9: EXITS FROM COVID-19 HARDSHIP FORBEARANCE – INDIVIDUAL SERVICERS BY MONTH 2021



As shown above, the increase in forbearance exits was driven largely by reported data from one large servicer. While a few servicers reported increased exits in summer and fall 2021, overall, servicers did not show much monthly variation in the number of exits during the reporting months. Similarly, for private loans, the reported number of forbearance exits showed little variation for most servicers.

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 payment deferral, partial claim or loan modification, or remained delinquent (with no loss mitigation in place). The chart below presents an overall breakdown of exit statuses reported by different servicers across the reporting period:

FIGURE 10: EXIT STATUS FROM COVID-19 HARDSHIP FORBEARANCE – OVERALL PERCENTAGE OF LOANS BY EXIT STATUS FOR ALL SERVICERS, MAY-DECEMBER 2021



Overall, based on the reported data, 15% of loans exited forbearance in a delinquent status during the reporting period. Observations on borrowers in this category are below. In total, servicers reported a relatively small number of loans (0.2%) with an exit status of foreclosure (l1,386), short sale (322), and deed-in-lieu (72) during the reporting period.

2.5 Delinquency

The CFPB requested additional delinquency metrics in the most recent data requests to present observations at a greater level of detail. The new metrics track the overall number of delinquent borrowers who were not enrolled in COVID-19 hardship forbearance and measure the length of borrowers' delinquency since exiting from a COVID-19 hardship forbearance. "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" and continuing "until such time as no periodic payment is due and unpaid."[17] In addition to delinquency rates, the Metrics Requests included requests for delinquency data among borrowers who did not

[17] 12 C.F.R. 1024.31.

request a hardship forbearance during the pandemic.

The delinquency metrics do not capture whether the delinquency was temporary. Some delinquent borrowers may be in the process of applying for loss mitigation options.

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). The illustration below shows delinquency rates by servicer for federally backed and private loans:

FIGURE 11: OVERALL DELINQUENCY RATE – INDIVIDUAL SERVICERS BY MONTH 2021

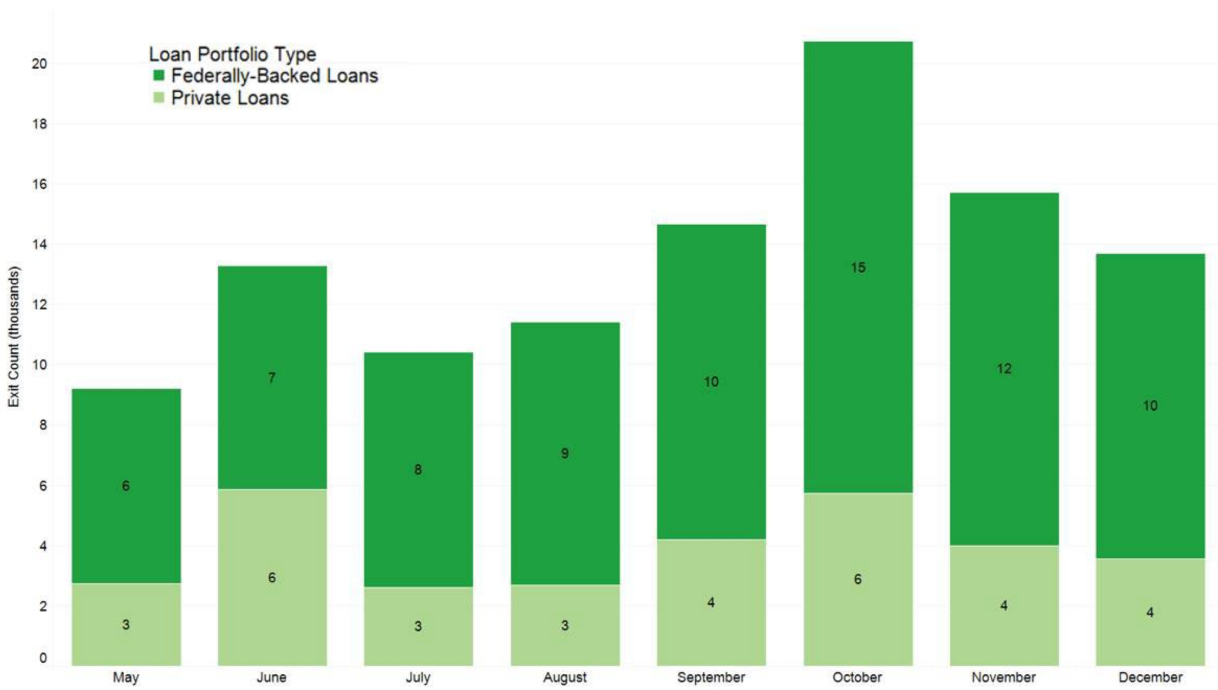
Overall delinquency rates for federally backed loans ranged from 0% to about 10% for most servicers, with little variation. One sub-prime servicer reported the highest delinquency rate throughout the reporting period, falling from nearly 30% in May 2020 to approximately 19% in December 2020. For private loans, overall delinquency rates were also below 10% for most servicers, but several servicers reported significantly higher rates, exceeding 15% (including two sub-prime servicers and two non-bank servicers).

2.5.2 Delinquent COVID-19 Hardship Forbearance Exits

Servicers reported the number of loans that exited from COVID-19 hardship forbearance plans in a delinquent status (with no loss mitigation in place upon exit). These borrowers face significant harm due to further delinquency, negative credit reporting, and the risk of foreclosure. As noted above in the background section of this report, throughout the pandemic, the CFPB has taken steps to ensure that servicers perform outreach and provide the specialized assistance to borrowers to resolve their delinquencies and make smooth transitions into repayment or loss mitigation options. The CFPB would expect to see servicers' efforts resulting in relatively low levels of delinquent exits.

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

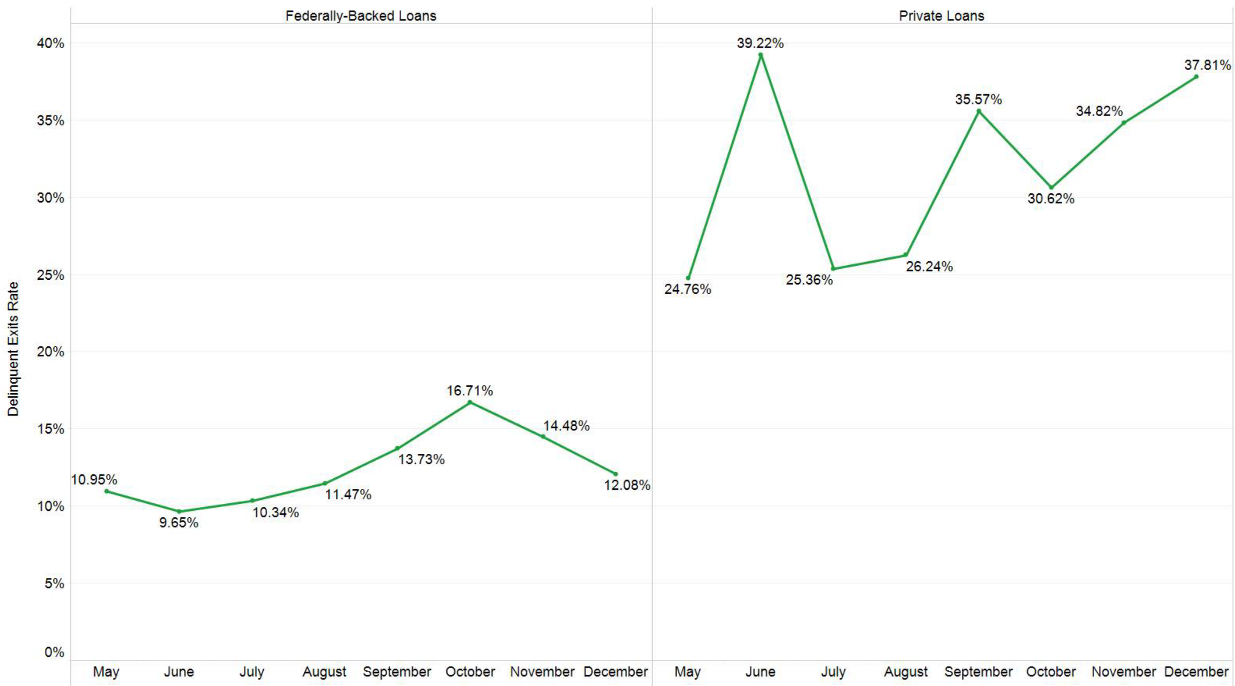
FIGURE 12: DELINQUENT EXITS FROM COVID-19 HARDSHIP FORBEARANCE – TOTAL FOR ALL SERVICERS BY MONTH 2021



The aggregate reported number of delinquent COVID-19 hardship forbearance exits during the reporting period ranged from about 6,000 to 15,000 for federally backed loans and from about 3,000 to 6,000 for private loans. Overall, the number of delinquent exits increased from nearly 9,000 in May 2021 to over 21,000 in October, falling to about 14,000 in December.

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

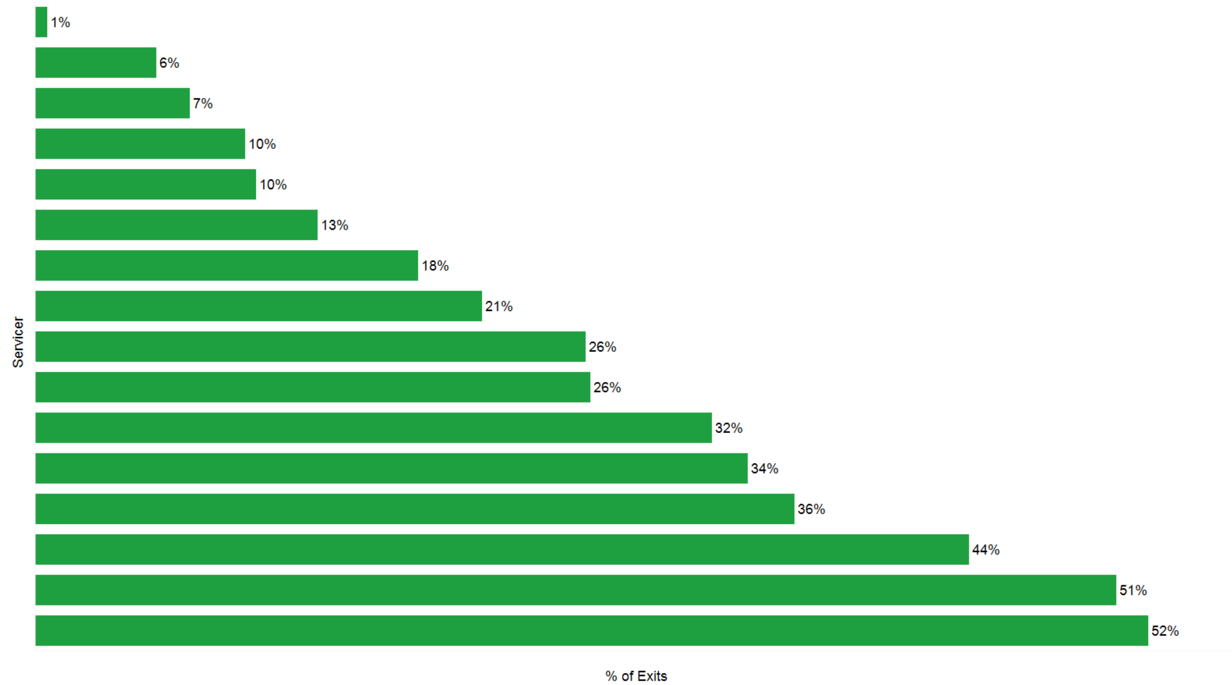
FIGURE 13: DELINQUENT EXITS FROM COVID-19 HARDSHIP FORBEARANCE AS PERCENTAGE OF ALL EXITS – AVERAGE FOR ALL SERVICERS, MAY-DECEMBER 2021



For federally backed loans, aggregate delinquent forbearance exits for all servicers, as a percentage of all forbearance exits, increased from about 11% to nearly 17% in October 2021 before falling to 12% in December. For private loans, delinquent forbearance exits ranged from 25% to 39%. Overall, the rate of loans exiting forbearance in a delinquent status increased by about 1.5% during the reporting period. Delinquent exit rates for individual servicers during the reporting period showed significant variability. Several servicers reported increases in both the number and percentage of delinquent forbearance exits in December 2021. Borrowers with loans at these servicers may face an increased risk of failing to transition to loss mitigation upon exiting forbearance.

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

FIGURE 14: DELINQUENT EXITS FROM COVID-19 HARDSHIP FORBEARANCE – AVERAGE BY SERVICER FOR MAY-DECEMBER 2021



Three servicers, including one bank servicer and two subprime servicers, reported data indicating delinquent exit rates at or exceeding 44%. Most servicers reported data indicating substantially lower rates for delinquent forbearance exits. In addition to reflecting differences in the effectiveness of servicers' handling of forbearance exits, the significant variability among servicers may also reflect other factors, such as differences in servicers' criteria for reporting the status of loans that are in the process of transitioning out of forbearance into loss mitigation programs.

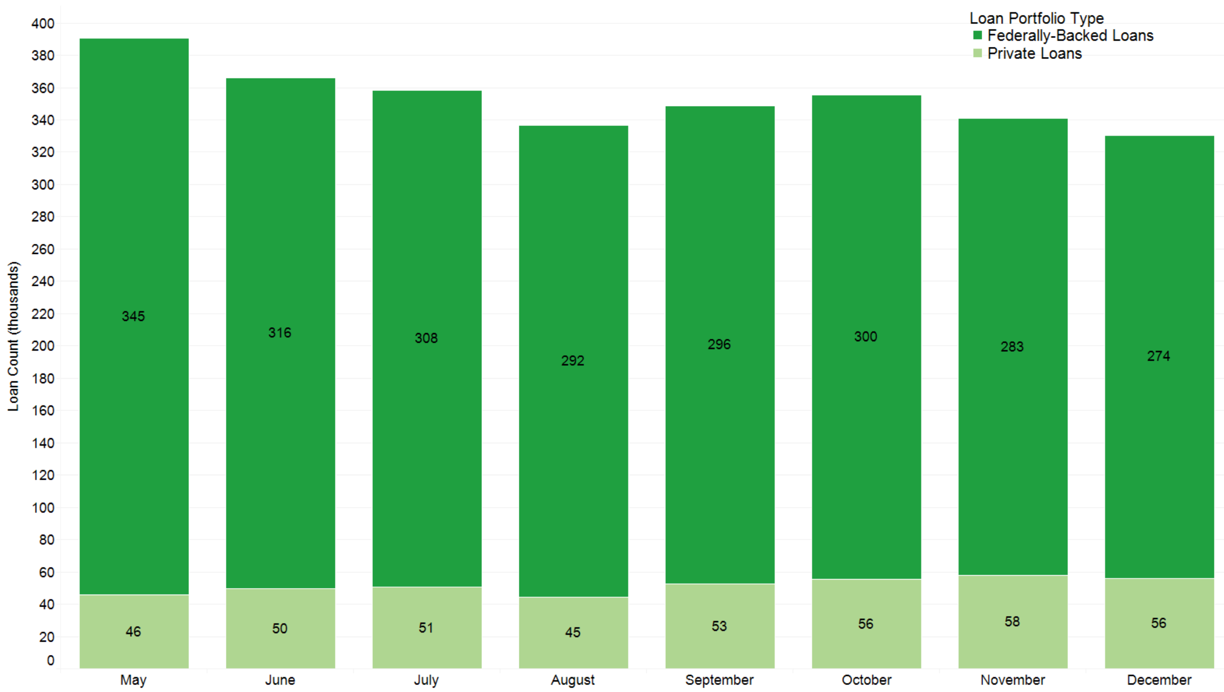
Servicers also provided monthly data on all loans that remained delinquent after exiting from forbearances, including the age of delinquency post-forbearance.[18] By capturing loans that exited forbearance at any time, not limited to the reporting month, this data tracks all borrowers with loans that have not yet successfully transitioned into a post-forbearance loss mitigation solution, illustrating the degree to which they may be experiencing challenges and delays at

[18] This metric excludes periods of delinquency prior to exiting forbearance. Servicers generally track delinquency ages for various purposes, but some servicers were unable to readily produce the post-forbearance exit delinquency data because it excludes this period.

specific servicers. Generally, the longer borrowers remain delinquent post-forbearance, the more likely they are experiencing servicing failures.

The illustration below shows the aggregate number of delinquent loans that remained delinquent after exiting from forbearance:

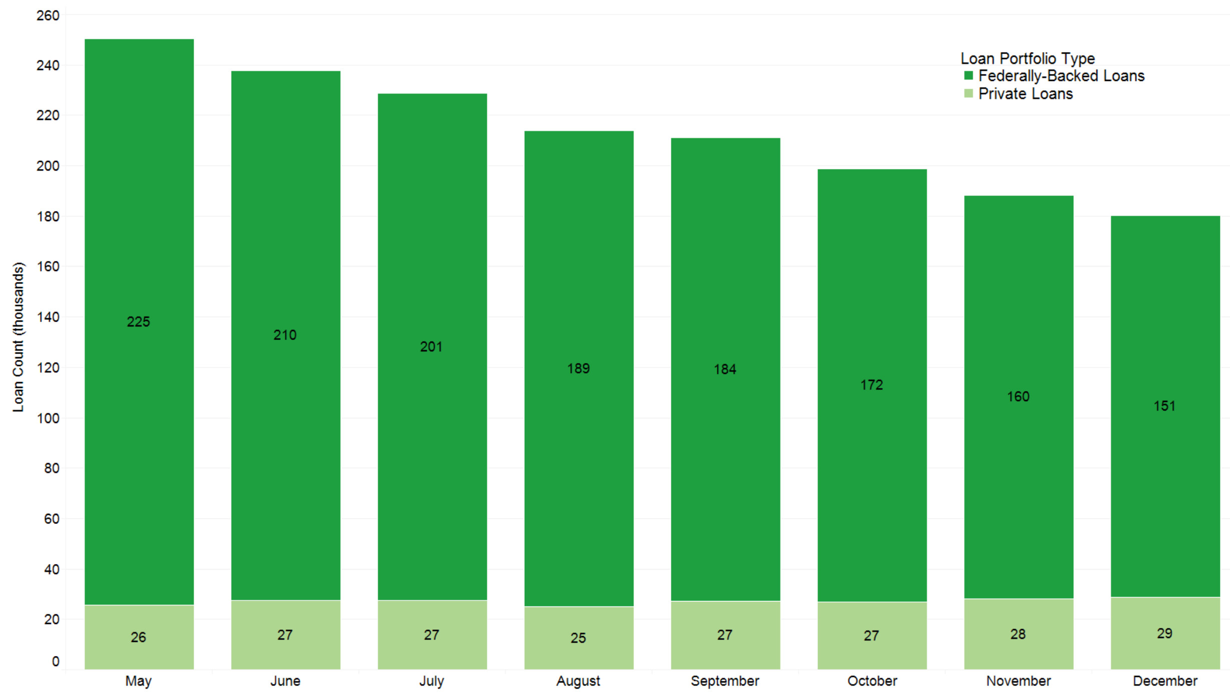
FIGURE 15: LOANS THAT REMAINED DELINQUENT AFTER EXITING FROM COVID-19 HARDSHIP FORBEARANCE – TOTAL FOR ALL SERVICERS BY MONTH 2021



The aggregate number of loans that remained delinquent after exiting forbearance at the sixteen servicers decreased from about 390,000 in May 2021 to about 330,000 in December 2021. As of the end of 2021, these 330,000 loans – including about 274,000 federally backed loans – were not yet enrolled in a loss mitigation solution after exiting forbearance. The overall decrease in the number of loans that remained delinquent after exiting forbearance was driven by data from one large servicer, while other servicers reported less variation.

Servicers also provided breakdowns of the age of the post-forbearance delinquency. The most advanced post-forbearance delinquency category was 90+ days. The illustration below shows the aggregate number of loans for all 16 servicers that remained delinquent at least 90 days since exiting forbearance for each month of the reporting period:

FIGURE 16: LOANS THAT REMAINED DELINQUENT AT LEAST 90 DAYS AFTER EXITING FROM COVID-19 HARDSHIP FORBEARANCE – TOTAL FOR ALL SERVICERS BY MONTH 2021



The number of loans that remained delinquent at least 90 days after exiting forbearance decreased from about 250,000 to 180,000. The count for federally backed loans fell from 225,000 to 151,000, while the count for private loans held steady in the range of 25,000-30,000. Notably, loans that were at least 90+ days delinquent after exiting forbearance accounted for approximately 60% of all loans that remained delinquent, with no loss mitigation in place, after exiting forbearance. As of December 2021, the share of these loans that were at least 90 days delinquent after exiting forbearance was approximately 55%. As compared with more recent exits, these borrowers face a relatively higher risk of advanced delinquency, negative credit reporting, and foreclosure.

Among individual servicers, the count of loans that were at least 90 days delinquent after exiting forbearance reflects the overall decreasing trend during the reporting period. Three servicers, including one bank servicer, reported significantly higher volumes of borrowers who were at least 90 days delinquent since exiting from forbearance. In contrast, other servicers reported relatively few borrowers in this category – less than 2,000 –for each month of the reporting period.

2.5.3 Delinquency Key Observations

The number and rate of borrowers who are exiting COVID-19 hardship forbearance each month in a delinquent status, with no loss mitigation in place, remain elevated, indicating that servicers face persistent challenges in transitioning borrowers into loss mitigation solutions in a timely manner. Particularly among servicers that reported high rates of delinquent exits, these challenges suggest a need for enhanced borrower outreach and servicing efforts. Servicers appear to be making gradual progress in transitioning borrowers who have exited forbearance during the pandemic and remain delinquent. However, large numbers of these borrowers – over 330,000 at the 16 servicers – remained delinquent, with no loss mitigation in place, as of the end of 2021.

2.6 Borrower Profiles

The CFPB requested data from servicers about borrowers' language preference and demographic information to understand the experiences of LEP borrowers and racial minorities in obtaining forbearances and accessing loss mitigation options after exiting forbearance. The completeness and quality of the servicers' responses varied widely.

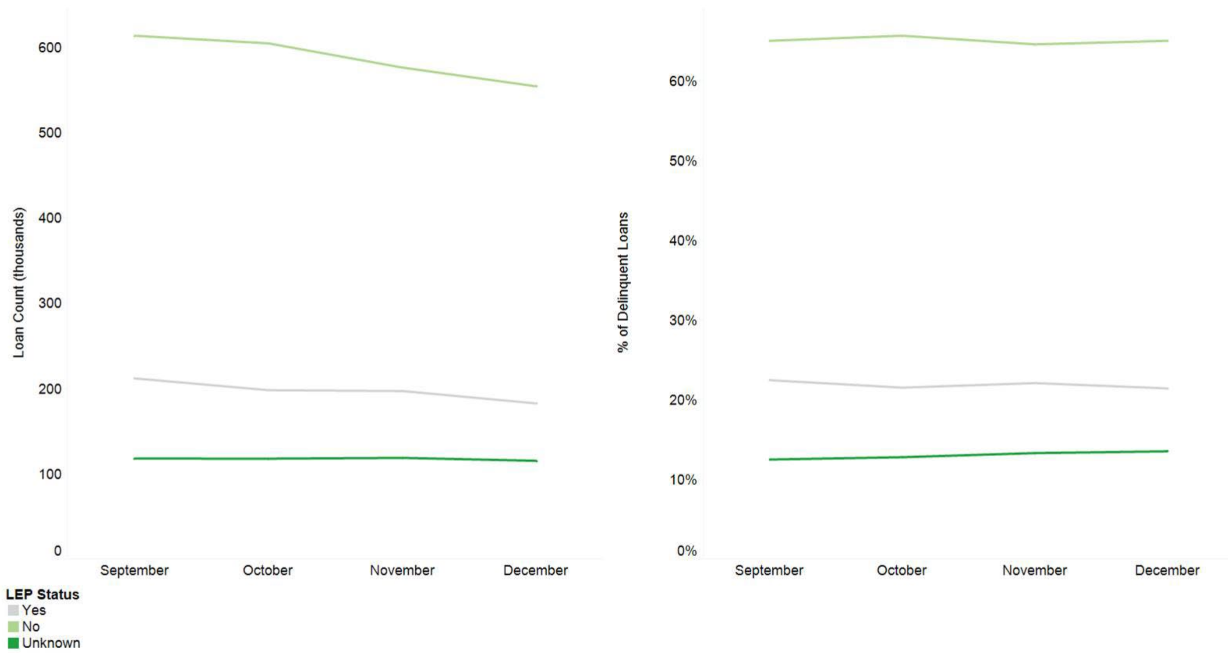
2.6.1 Limited English Proficiency

The CFPB requested information from the servicers that responded that they collect or maintain information about borrowers' language preference for the August 2021 report. The CFPB asked for the total number of LEP borrowers in their servicing portfolio, the number of LEP borrowers who are delinquent, the number enrolled in COVID-19 hardship forbearances, and their exit status after the forbearances.

Over a quarter of borrowers were marked "LEP status unknown" in the total data received, which was a higher percentage of the total set of borrowers than those identified as LEP borrowers. Servicers varied widely in their responses. Some servicers had very limited information about borrowers' language preference and reported most of their portfolios as unknown, while others had delineated data that categorized their borrowers as LEP, not LEP, and LEP status unknown. The substantial lack of information about borrowers' language preference and varying data quality made it challenging to make any comparisons between servicers.

Among the servicers who provided data, both non-LEP borrowers and LEP borrowers showed a downward trend in total delinquencies between September and December 2021, with a far greater decline for non-LEP borrowers. The breakdown by percentage of total delinquent loans between LEP, non-LEP and unknown stayed relatively consistent during this period.

FIGURE 17: DELINQUENT LOANS DURING REPORTING MONTH 2021 BY LEP STATUS



The number of LEP borrowers and borrowers whose language preference was unknown without a loss mitigation option in place after exiting forbearance stayed relatively consistent compared to non-LEP borrowers. The number of non-LEP borrowers who were delinquent without a loss mitigation option after forbearance declined over time, with the greatest decrease between October and November 2021, while the number of unknown and LEP borrowers did not reflect the same decrease. In contrast to non-LEP borrowers, the number and percentage of LEP borrowers who were delinquent without a loss mitigation option increased between November and December 2021.

FIGURE 18: NUMBER OF LOANS IN EXIT STATUS DELINQUENT, WITH NO LOSS MITIGATION IN PLACE DURING REPORTING MONTH 2021 BY LEP STATUS BY COUNT

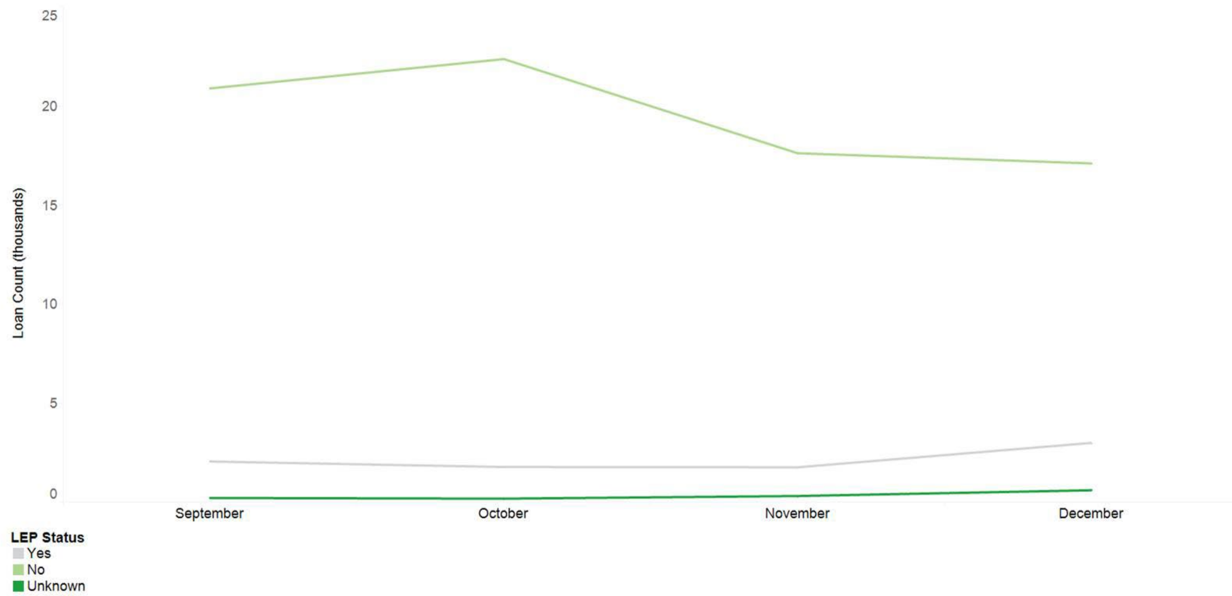
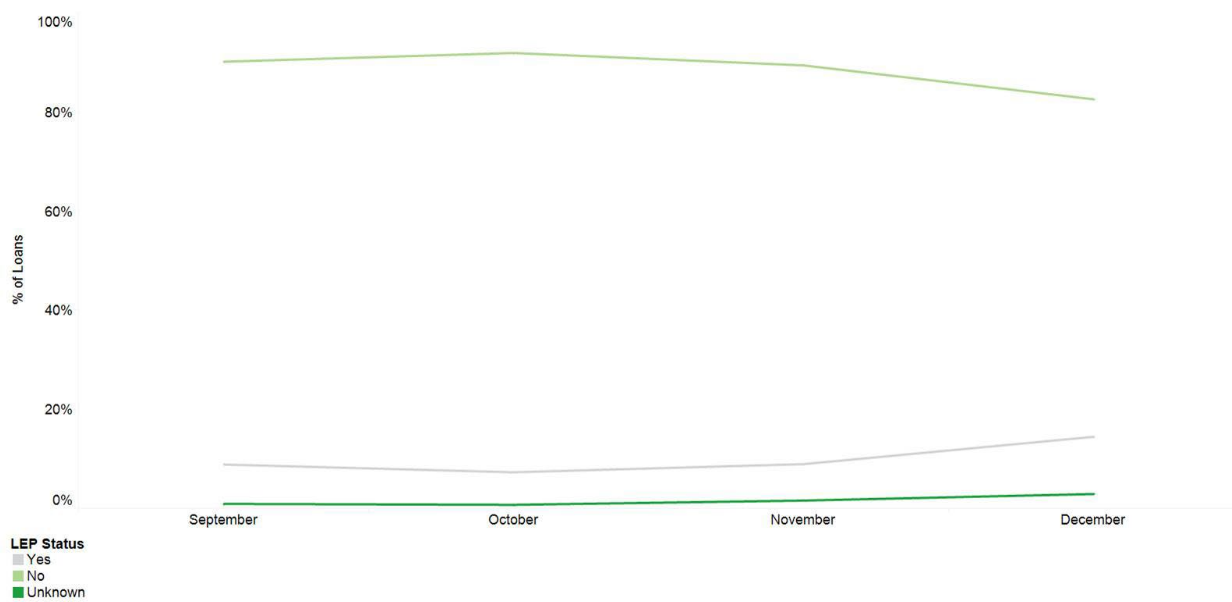


FIGURE 19: PERCENTAGE OF TOTAL LOANS IN EXIT STATUS DELINQUENT, WITH NO LOSS MITIGATION IN PLACE DURING REPORTING MONTH 2021 BY LEP STATUS BY PERCENTAGE



Although the data is limited, the increasing trend of LEP borrowers who are delinquent after forbearance without a loss mitigation option after exiting forbearance may indicate greater challenges in obtaining in-language information about how to access available loss mitigation options to retain homeownership. Better data collection about a borrower's language preference is an important step to providing improved service to LEP consumers and connecting them to the appropriate translation and interpretation services so that they are able to understand and to access all the financial products and services for which they qualify. Failure to serve LEP consumers could give rise to violations of the Equal Credit Opportunity Act, regardless of servicers' data collection practices. The CFPB encourages servicers to ensure that LEP borrowers in need of loss mitigation after exiting forbearance are served in a manner commensurate with service provided to all other borrowers.

2.6.2 Race

The CFPB requested borrowers' race information from the servicers who responded that they collect or maintain race data in their records, including a breakdown of the total loans they service by race, and race information for forbearances, delinquencies, and forbearance exits. Servicer responses varied widely in both quality and completeness, and every servicer reported a significant number of loans as borrower race unknown. Over half of the borrowers in the total data received are categorized as race unknown. For some servicers, the unknown category included borrowers who are two or more races, while other servicers classified these borrowers as other or had a separate category for them. One servicer grouped Asian American, Pacific Islander, and American Indian in the same category. The significant variances in data quality, organization and completeness did not allow for comparisons between servicers.

Similarly, because the largest category of data received was for borrower race unknown, the information did not allow for observations of general trends. The combined data received for racial minorities was too small a percentage of the total data to make any comparisons.

As more borrowers exit COVID-19 forbearance, the CFPB encourages servicers to ensure that they are preventing discrimination in the provision of loss mitigation assistance.[19]

[19] The Equal Credit Opportunity Act and Regulation B apply to consumers with existing credit arrangements. *See* May 9, 2022 Advisory Opinion on Coverage of Fair Lending Laws, *available at* https://files.consumerfinance.gov/f/documents/cfpb_revoking-terms-of-existing-credit-arrangement_advisory-opinion_2022-05.pdf.

3. Conclusion

While the large majority of borrowers have exited from COVID-19 pandemic hardship forbearances, the data provided by 16 servicers as part of the CFPB's ongoing pandemic response monitoring efforts reflect the continuing risks facing borrowers and significant differences among servicers. Call metrics, including average hold times of more than ten minutes and call abandonment rates exceeding 30% at some servicers, show that some borrowers may have difficulty establishing live contact and obtaining assistance over the phone. The number and rate of loans exiting from COVID-19 hardship forbearances each month in a delinquent status remains high. Overall, approximately 330,000 borrowers remained delinquent, with no loss mitigation in place, as of the end of December 2021. Some servicers – including some of the same servicers described in the CFPB's metrics report published in August 2021 – continued to underperform their peers in key metrics.

The widely diverging collection, categorization, and maintenance of information about borrowers with limited English proficiency and race did not allow the CFPB to make comparisons between servicers or evaluate servicing experiences for different groups.

The CFPB encourages servicers to enhance their data collection and retention of borrowers' language preference to improve communication and servicing for LEP borrowers and to maximize home retention opportunities for LEP borrowers exiting forbearance. The CFPB encourages servicers to assess and identify any potential for differential treatment or outcomes associated with race and LEP status as part of ensuring that they have robust measures in place to prevent discrimination.