

March 18, 2015

From: Emily Reiman, 1160 Maple Drive, Eugene, OR 97404

To: Senate Committee on Business and Transportation

Re: Testimony in Favor of SB 275

Chair Beyer and Members of the Committee:

I am writing today to urge your support for SB 275, requiring mortgage loan servicers to be licensed in Oregon. I apologize that I can't be there in person, but I wanted to share my recent experience with just the type of mortgage servicing abuse that DCBS is attempting to prevent with this bill.

I have owned my home for six years and have never been late on a payment.

I have also spent the last four years managing the largest foreclosure counseling program in Oregon, so I have significant experience with the mortgage servicing industry.

In November, I received a letter from my servicer stating that my homeowner's insurance was about to expire and that they would be purchasing their own insurance for my home (known as "force-placed" insurance, which the letter warned would be much more expensive than traditional coverage).

I was baffled by the letter for several reasons: I had refinanced my mortgage only four months before and had paid upfront for a year of insurance – the policy was nowhere near expiration – and I knew that with my insurance premium escrowed, the servicer would themselves be responsible for renewal.

I immediately called the servicer to request clarification, only to be further confused when the customer service representative explained that the letter was actually incorrect: my insurance was *not* about to expire, but rather my policy had insufficient coverage. The rep went on to explain that my coverage needed to be equal to the principal balance on the loan, and my policy was slightly less. She stated that I should contact my insurance agent to get higher coverage and have the agent fax proof of that policy.

Again, I knew this couldn't be right: the refinance wouldn't have closed without proof of sufficient coverage, and homeowner's insurance requirements are pegged to the replacement cost of structures, not the unpaid balance of the loan. But when I tried to point this out to the customer service rep, she became confused and simply repeated the same advice again and again.

I eventually gave up and called my insurance agent who chuckled, pointed out that they're not allowed to artificially inflate the replacement costs on the policy, but said that they see this a lot from servicers.

To cut a longer story short, it took me over a month, four more equally convoluted phone calls, and escalation to a manager before I could get written confirmation that my insurance coverage had been sufficient all along.

And I was lucky, because I knew enough to recognize the issues. But with every phone call, I kept thinking about the average homeowner in my shoes – perhaps my mother or grandmother. It could have taken a very wrong turn at so many points: if I had disregarded the letter, assuming it was a mistake...if I took it at face value and faxed proof of the very same coverage considered insufficient...if I

had believed what I was told by the customer service rep...if I hadn't known how to escalate to a manager. How many people end up with a \$5000 force placed insurance charge on their account? How many of those end up in default?

And perhaps more importantly, where would the average homeowner turn for help? The CFPB is doing significant work in the mortgage servicing arena (including force-placed insurance) but they're a federal agency flooded with hundreds of thousands of complaints. There is still greater need for consumer protection in this area, in addition to what the CFPB is able to accomplish – especially in responsiveness to individual homeowners who have been victims.

We need an Oregon agency with the authority to regulate mortgage servicers in our state and help protect Oregon homeowners from abusive servicing practices.

I urge you to support SB 275.

Sincerely,

A handwritten signature in blue ink, appearing to read "Emily Reiman".

Emily Reiman