BANKING LEGISLATION & POLICY

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HIGHLIGHTS

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  - Exemption for Small Mortgage Servicers
- Regulators Issue Final Rules on Appraisals for Higher-Priced Mortgage Loans

In addition, it summarizes other notable legislative, regulatory, and judicial developments that occurred during the first quarter of 2013.

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Basel Committee Revises Basel III's Liquidity Coverage Ratio Requirement, Extends Deadline

On January 7, 2013, the Basel Committee on Banking Supervision (Basel Committee) published the full text of its revised Liquidity Coverage Ratio (LCR) requirement following approval from its governing body, the Group of Central Bank Governors and Heads of Supervision (GHOS).[1]

The LCR is part of Basel III reforms, which are global regulatory standards on bank capital adequacy and liquidity endorsed by the G20 leaders. By definition, the LCR is the fraction of the stock of a bank's unencumbered high-quality liquid assets (HQLAs) divided by the bank's total net cash outflows over the next 30 calendar days. The LCR guarantees that a bank has enough HQLAs that can be converted into cash easily and immediately in private markets to meet its liquidity needs for a 30-calendar-day liquidity stress scenario. As a result, the LCR allows banks to absorb shocks from both financial and economic stress, reducing the risk of spillover from the financial sector to the rest of the economy.

The Basel Committee first published the LCR in December 2010, but over the past two years, the Basel Committee has made revisions to the LCR to ease some restrictions for banks and to give banks more time to meet the new stipulations.[2] These revisions include expanding the range of assets eligible as HQLAs, refining assumed inflow and outflow cash rates for banks to better simulate actual experience in times of stress, and giving banks until 2019 instead of 2015 to fully meet the new LCR requirements.

Changes to the Definition of HQLA

A bank's HQLA will still be composed of Level 1 and Level 2 assets. Level 1 assets, including currency, central bank reserves, and marketable securities backed by governments and central banks that have been assigned a zero percent risk-weight under the Basel II Standardized Approach for credit risk, count toward the HQLA without further restrictions. Level 2 assets, including corporate debt securities rated at least AA- not issued by a financial institution or any of its affiliated entities and marketable securities backed by governments and central banks that have been assigned a 20 percent risk-weight under the Basel II Standardized Approach for credit risk, cannot exceed 40 percent of a bank's total liquid reserves.

However, the GHOS agreed to expand the definition of HQLA by allowing banks to include Level 2B assets toward the LCR requirement. Level 2B assets include some investment-grade residential mortgage-backed securities and some investment-grade corporate bonds, among others. Approved residential mortgage-backed securities and unencumbered equities will face a haircut, or percentage subtracted from the market value of the asset, of 50 percent, and qualifying corporate debt securities will face a haircut 25 percent. Level 2B assets cannot exceed 15 percent of a bank's total liquid reserves.

Changes to the Calculations of a Bank's Inflow and Outflow Cash Rates

A bank's total expected cash inflows will remain subject to an aggregate cap of 75 percent of total expected cash outflows. Therefore, banks will have to maintain a minimum level of HQLA holdings at all times even if banks do not experience any cash

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[1] The GHOS consists of central bank governors and heads of bank supervisory agencies from Argentina, Australia, Belgium, Brazil, Canada, China, France, Germany, Hong Kong, India, Indonesia, Italy, Japan, Luxembourg, Mexico, the Netherlands, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States.

[2] For more information on the original version of the LCR, see *Banking Legislation and Policy,* Volume 29, Number 4.

outflows. However, the formulas for calculating expected cash flows were relaxed by assuming lower cash outflows for various types of liabilities.

Changes to the Implementation Time of the LCR

The minimum LCR requirement is fixed at 100 percent, and during times of financial stress, banks are expected to utilize their pool of HQLA to meet the liquidity needs threshold. While the Basel Committee will introduce the LCR requirement on January 1, 2015, as initially planned, banks will have to reach an LCR of only 60 percent. The LCR requirement will increase by 10 percent in each subsequent year until the LCR requirement reaches 100 percent on January 1, 2019.

Basel Committee Issues Final Rules for Managing Intraday Liquidity Risk

On April 11, 2013, the Basel Committee on Banking Supervision released the final version of its framework for monitoring a bank's intraday liquidity management. In consultation with the Committee on Payment and Settlement Systems, the Basel Committee developed the new decree to help regulators oversee a bank's management of intraday liquidity risk and a bank's ability to meet its payment and settlement obligations. Internationally active banks will be required to apply these monitoring tools, but national bank supervisors will determine the extent to which these monitoring tools will apply to noninternationally active banks within their jurisdiction. The Basel Committee reiterated that the changes are for monitoring purposes only and are not intended to introduce new standards on intraday activity.

This rule complements the guidance on intraday liquidity management from the 2008 Basel principles, which urged banks to actively manage their intraday liquidity positions and risks on a timely basis under both normal and stressed conditions.[3] Originally proposed on July 2, 2012, the revised final regulation is also an addendum to the new LCR requirements mentioned earlier.

Regulators will require banks to provide their largest daily negative and positive net cumulative positions on their settlement or correspondent account(s) as well as the daily average of their negative and positive net cumulative position over the reporting period. These banks will also have to report their available intraday liquidity at the start of the business day as well as the total of their gross payments sent and received over the reporting period. At the same time, these banks will have to run intraday liquidity stress scenarios, taking into account scenarios in which their operations or their counterparties' operations come under financial distress.

Banks have to implement the new regulation by January 1, 2015, just as the LCR regulation comes into effect. Only banks with the agreement of their local supervisor may delay implementation of these monitoring tools until January 1, 2017, should these banks encounter data availability difficulties with other banks with which they do business.

Basel Committee Proposes New Framework on Measuring and Controlling Large Credit Exposures

On March 26, 2013, the Basel Committee on Banking Supervision issued a new proposal designed to tighten existing limits on the concentration of banks' credit exposures. This proposal would replace the Basel Committee's existing guidelines from 1991.[4]

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[3] For more information on the 2008 Basel principles, see *Principles for Sound Liquidity Risk Management and Supervision*.

[4] The existing guidelines were from the 1991 publication *Measuring and Controlling Large Credit Exposures*.

The new framework seeks to establish greater consistency in the way banks and supervisors measure, aggregate, and control exposures to single counterparties. The new standard would supplement the existing risk-based capital requirements by limiting banks' exposure to losses resulting from the sudden default of a single counterparty or a group of connected counterparties. The proposed framework covers direct exposure to counterparties across all operations and to providers of credit protection, and it also takes into account a bank's exposure to funds, securitization structures, and collective investment undertakings that operate in the shadow banking system outside of the Basel Committee's governance. The Basel Committee also plans on using the new proposal to develop tighter limits on exposures between global systematically important financial institutions (G-SIFIs) to limit contagion between G-SIFIs. The public has until June 28, 2013, to comment on the Basel Committee's new framework, which is scheduled to be implemented in full by January 1, 2019.

Changes to Level of Large Exposure Limit

The proposed model would set a large exposure limit for all banks at 25 percent of either a financial institution's common equity tier 1 (CET1) capital or a financial institution's tier 1 capital.[5] The existing organization, developed in 1991, had a large exposure limit for all banks at 25 percent of a financial institution's total capital. As a result, the proposed model would tighten the definition of capital subject to the large exposure limit. The Basel Committee considers large exposures for banks to include direct exposures to a single counterparty or a group of connected counterparties as well as exposures to a credit protection provider.

Measuring and Controlling Large Credit Exposures to Nonbanking Entities

In addition, to strengthen oversight and regulation of the shadow banking sector, the proposed standard would limit large exposures to nonbanking entities such as funds, securitization structures, and collective investment undertakings.[6] Banks will have to determine possible risks to a nonbanking entity's specific characteristics and any third parties related to the nonbanking entity instead of just taking into consideration the quality of a nonbanking entity's underlying assets. By using a look-through approach to assess the credit risk for each of the underlying assets in nonbanking entities, the new framework is designed to reduce banks' credit exposure to nonbanking entities that operate outside of the Basel Committee's regulations.

Tighter Credit Exposure Limits for G-SIFIs

G-SIFI institutions, marked as "too-big-to-fail" banks by the Basel Committee, will face even tighter large credit exposure limits from the new model. Under the proposal, a G-SIFI institution cannot have more than 10 to 15 percent of its CET1 or tier 1 capital exposed to another G-SIFI institution. Also, under the proposal, a G-SIFI institution cannot have more than 25 percent of its CET1 or tier 1 capital exposed to a non-G-SIFI institution. Currently, the Basel Committee identifies 28 major international banks as G-SIFI institutions, eight of which are based in the United States.

[5] CET1 capital includes common stock and retained earnings. Tier 1 capital is mostly composed of CET1 but includes some other forms of capital as well, such as noncumulative, nonredeemable preferred stock. See *Basel III* for more information.

[6] A collective investment undertaking is an investment fund or an investment company that offers units or shares to collect money to purchase assets.

CFPB Announces New Mortgage Rules to Determine Mortgage Borrowers' Ability to Repay

On January 10, 2013, the Consumer Financial Protection Bureau (CFPB) released final rules detailing new standards that mortgage lenders must follow during the loan approval process to determine a borrower's ability to repay a mortgage before extending him or her credit. These rules will change the way large numbers of mortgages will be underwritten, since mortgages that fall under the CFPB's new conditions will be exempt from litigation from borrowers in the future.[7] The ability-to-repay rule is one of several mortgage regulations required by January 21, 2013, under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Taking effect on January 10, 2014, the rules amend Regulation Z, which implements the Truth in Lending Act of 1968. Currently, under Regulation Z, a lender may not make a higher-priced mortgage loan without taking into consideration a borrower's ability to repay. The final rules establish certain protections for lenders from liability for a certain category of qualified mortgages.[8] In addition, the final rules order lenders to keep evidence of compliance with the new standards for three years after a covered loan is completed.

Ability-to-Repay Determinations

While mortgage lenders do not have to follow any particular underwriting models, the final rules require that lenders must determine a mortgage borrower's ability to repay a mortgage loan, taking into account the borrower's expected income, monthly payments, and payments on other obligations, among other factors. Lenders will generally have to use reasonably reliable third-party records to ensure that they have received accurate and independent information to properly calculate a borrower's ability to repay.

Under the final rules, monthly payments by borrowers with fixed-rate mortgages usually will be determined by assuming that the mortgage is repaid in substantially equal monthly payments over the course of a mortgage's lifetime. For borrowers with adjustable-rate mortgages, the monthly payment will be the greater of the monthly payment calculated using the introductory rate or the fully indexed rate. Mortgages with balloon payments, interest-only payments, or negative amortization will have to undergo special calculations to determine a borrower's monthly payment.

General Requirements for Qualified Mortgages

Under the CFPB's final rules, generally mortgage loans with negative amortization, interest-only payments, balloon payments, or lifetimes greater than 30 years cannot be considered qualified mortgages. These types of "nonstandard" mortgages, with either large payment shocks that could result in default or a very long time frame, do not meet the final rules' ability-to-repay determination to become qualified mortgages. For similar reasons, "no-doc" mortgages in which lenders do not have to verify the incomes or assets of borrowers cannot be qualified mortgages. In addition, while some leeway is given for small mortgages, mortgages usually cannot be qualified mortgages if the points and fees paid by the borrower sum to more than 3 percent of the total mortgage amount.

For a mortgage to be a qualified mortgage, a borrower must have a debt-to-income ratio less than or equal to 43 percent. However, for a transitional period of up to 7 years, many

[7] For more information on the Federal Reserve Board's original proposal for regulation determining qualified mortgages, see *Banking Legislation and Policy*, Volume 30, Number 2.

[8] For more information on the Dodd-Frank Act, see *Banking Legislation and Policy*, Volume 29, Number 2.

government-guaranteed mortgages will not have to have to satisfy this debt-to-income condition to be considered qualified mortgages. Regardless of a borrower's debt-to-income ratio, all mortgages eligible for purchase by Fannie Mae and Freddie Mac will count as qualified mortgage loans during the 7-year transition period.

The final rules also implement a special provision in the Dodd-Frank Act that would treat certain balloon-payment loans as qualified mortgages if they are originated and held in portfolio by small creditors operating mainly in rural or underserved areas. These mortgages must be at least five years in length, have a fixed interest rate, and meet certain basic underwriting standards.

Legal Protection of Qualified Mortgages

The CFPB has adopted a two-tiered approach for dealing with lawsuits aimed at qualified mortgages. A safe harbor will be assigned to "lower-priced" qualified mortgages. Consistent with Section 129H of the Truth and Lending Act of 1968, mortgages are considered "higher priced" if their annual percentage rate exceeds the average prime offer rate for a comparable transaction, as of the date that the interest rate is set, by at least 1.5 percentage points for mortgages secured by first liens on the properties or by at least 3.5 percentage points for mortgages secured by subordinate liens on the properties. Since these "lower-priced" qualified mortgages are usually made to more financially capable borrowers, lenders will be free of liability even if their borrowers cannot repay their loans. However, for "higher-priced" qualified mortgages, lenders can be held liable if borrowers can prove that their lenders did not take into account borrowers' ability to repay.

Concurrent Proposal

On the same day, the CFPB issued a concurrent proposal seeking comment on whether to adjust the final rule for certain community-based lenders, housing stabilization programs, certain refinancing programs of Fannie Mae or Freddie Mac, and small portfolio creditors. The CFPB aims to finalize the concurrent proposal in the spring of 2013 to allow affected lenders time to prepare for the January 2014 effective date of the final rule.

CFPB Issues New Mortgage Loan Servicing Standards

On January 17, 2013, the CFPB released final rules for the servicing of residential mortgage loans. These rules implement the Dodd-Frank Act's directive to improve the information borrowers receive from their lenders, to better address servicer errors, and to provide extra protections for borrowers delinquent on their mortgage payments.

Basic Information Requests, Mortgage Statement Requirements, Error Resolution Processes, and Interest-Rate Adjustment Notices for Adjustable-Rate Mortgages

Mortgage servicers must provide periodic mortgage statements for each billing cycle that disclose, among other things, information on previous and pending fees imposed, a list of recent transaction activity, and contact information for the servicer. When servicers receive payment from their borrowers, servicers must promptly credit payments on the same day that they receive their payments. Servicers must also provide an accurate mortgage payoff balance to their borrowers within 7 business days of a borrower's request. The new standards require mortgage servicers to acknowledge the request for information or a notice of an error from their borrowers within five days. The issue must be addressed within 30 to 45 days.

Last, for borrowers with adjustable interest-rate mortgages, mortgage servicers must provide a good faith estimate of the interest rate between 210 and 240 days before the first reset. Servicers must also provide borrowers with adjustable interest-

rate mortgages with a notice of an interest rate reset between 60 and 120 days before payment at the new level is due. In principle, this notification will give borrowers adequate time to attempt to refinance the mortgage.

Force-Placed Insurance Requirements

The CFPB's final rules prohibit mortgage servicers from charging a borrower for force-placed insurance coverage unless there are reasonable grounds to believe that the borrower has not maintained adequate hazard insurance and then only with adequate notice. Force-placed insurance is property and casualty insurance taken out by lenders or mortgage servicers when a borrower fails to maintain the insurance coverage required by the terms of the mortgage. Because mortgage servicers are responsible for ensuring borrowers maintain property insurance, mortgage servicers have the right to purchase insurance.

Mortgage servicers must send an initial notice to their borrowers at least 45 days ahead of time before they can start charging their borrowers for force-placed insurance. They must also send a second reminder notice at least 30 days after the initial notice and at least 15 days before the start date when they will start charging their borrowers for force-placed insurance. Furthermore, servicers must end their force-placed insurance within 15 days if they receive proof that their borrowers have the necessary insurance for their properties and must refund any premiums paid when the borrower was covered.

Process for Dealing with Delinquent Borrowers and Loss Mitigation Procedures

Mortgage servicers must establish or make "good faith" efforts to establish live contact with their borrowers within 35 days of delinquency and must inform delinquent borrowers of loss mitigation options within 45 days of the delinquencies. Throughout the entire period of mortgage delinquency, servicers are required to provide delinquent borrowers with access to personnel to assist them in understanding the loss mitigation options that are available.

The new standards restrict "dual tracking," a practice in which mortgage servicers proceed with foreclosure while simultaneously evaluating a consumer for potential loan modifications or other loan alternatives. Until a mortgage loan is more than 120 days delinquent, servicers cannot file foreclosure notices. Even if a borrower is more than 120 days delinquent, if the borrower submits complete applications for loan modifications, the servicers must evaluate the applications for loan modifications before they may begin the foreclosure process. If servicers reject any of their borrowers for loan modifications, they must explain to the delinquent borrowers the reason. Also, before beginning the foreclosure process, servicers must consider delinquent borrowers for alternatives to foreclosure such as short sales.

Exemption for Small Mortgage Servicers

The final rules contain a number of exemptions and other adjustments for small mortgage servicers, defined to include those that service 5,000 or fewer mortgages and that service only mortgages that either they or an affiliate owns.

Regulators Issue Final Rules on Appraisals for Higher-Priced Mortgage Loans

On January 18, 2013, six federal financial regulatory agencies released final rules that establish new appraisal requirements for higher-priced mortgage loans as mandated by the Dodd-Frank Act. The final rule, jointly issued by the Federal Reserve Board, the CFPB, the Federal Deposit Insurance Corporation (FDIC), the Federal Housing Finance Agency (FHFA), the National Credit Union Administration, and the Office of the Comptroller of the Currency, amends Regulation Z, which

implements the Truth in Lending Act of 1968. The rule will become effective on January 18, 2014.

Mortgages are considered "higher priced" if their annual percentage rate exceeds the average prime offer rate for a comparable transaction, as of the date that the interest rate is set, by at least 1.5 percentage points for mortgages secured by first liens on the properties or by at least 3.5 percentage points for mortgages secured by subordinate liens on the properties. For higher-priced mortgages, the completed regulations require lenders to use a licensed or certified appraiser that will prepare a written appraisal report based on a physical inspection of a dwelling's interior. Lenders must provide a free copy of the written appraisals to their borrowers at least three business days before consummation of the mortgage application process, and lenders must disclose to their borrowers the purpose for the required appraisals. However, mortgage borrowers would have to pay for another valuation if they desire a separate appraisal.

The final rules mandate a second appraisal for higher-priced mortgage loans when the home has been recently purchased by the seller and marketed at a significantly higher price. To determine if the values of properties have legitimately increased before they are resold in a short period of time, lenders must obtain a second appraisal not conducted by the first appraiser. The second appraisal must take into account the two different sales prices of the properties as well as any changes in market conditions and any property improvements made since the previous purchase.

The completed regulations do exempt several types of mortgage loans from the higher-priced mortgage appraisal requirement, including qualified mortgages, temporary bridge loans (for 12 months or less), and loans for the initial construction of dwellings, among others.

Federal Regulation

Federal Reserve System

Fed Releases Results of 2013 Stress Tests

On March 7, 2013, the Federal Reserve released the results of its stress tests for 18 of the largest U.S. banks. These stress tests, which evaluate how financial institutions would fare under hypothetical economic and market shocks devised by the Federal Reserve, revealed that almost all of the largest U.S. banks would be able to survive during another drastic financial downturn. The stress scenarios assumed a peak unemployment rate of 12.1 percent, a drop in equity prices of more than 50 percent, a decline in housing prices of more than 20 percent, and a sharp market shock for the largest trading companies. Only one of the 18 financial institutions, Ally Financial, Inc., had its tier 1 common capital ratio fall below the Federal Reserve's threshold of 5 percent. The tier 1 common capital ratio of a bank is the ratio of a bank's core equity capital compared with its total risk-weighted assets.

On March 14, 2013, the Federal Reserve released the results of its Comprehensive Capital Analysis and Review (CCAR) for these same 18 U.S. banks. The Federal Reserve uses CCAR to evaluate the capital planning processes and capital adequacy of the 18 financial institutions, including each bank's proposed capital actions such as dividend payments. Using this information, the Federal Reserve can determine the strength of a U.S. bank by considering factors such as a U.S. bank's capital ratio during times of severe economic and financial market stress and a U.S. bank's plans to meet its Basel III capital requirements as implemented in the U.S.

The Federal Reserve approved the capital plans for 14 of the U.S. banks and conditionally approved the capital plans for the Goldman Sachs Group, Inc. and JPMorgan Chase & Co., but the Federal Reserve objected outright to the capital plans for Ally Financial, Inc. and BB&T Corporation. With a projected 1.52 percent of tier 1 capital under the severe stress situations of the CCAR, Ally Financial, Inc. fell below the minimum level of 5 percent tier 1 capital. The Federal Reserve considers financial institutions with at least 5 percent of tier 1 capital to be adequately capitalized. While BB&T Corporation's level of tier 1 capital was well above the 5 percent minimum, the Federal Reserve rejected BB&T Corporation's capital plan on qualitative grounds. The Federal Reserve and BB&T declined to elaborate on the specifics of these qualitative factors. While the Federal Reserve did not object to the capital plans of Goldman Sachs or JPMorgan Chase, the Federal Reserve required these two financial institutions to submit new capital plans by the end of the third quarter to address weaknesses in their capital proposals.

The Goldman Sachs Group, Inc. and JPMorgan Chase & Co. had projected levels of 5.26 percent tier 1 capital and 5.56 percent tier 1 capital, respectively. While both of those capital levels were above the required minimum level of 5 percent, they were the lowest among banks whose capital plans were approved by the Federal Reserve.

Treasury Department

Treasury, IRS Issue Rule on Foreign Account Tax Compliance

On January 17, 2013, the Treasury Department and the Internal Revenue Service (IRS) released the final version of T.D. 9610. Under the Foreign Account Tax Compliance Act (FATCA), part of the Hiring Incentives to Restore Employment Act signed into law in 2010, T.D. 9610 provides rules on information reporting by foreign financial institutions so the IRS can better identify U.S.-owned accounts to combat cross-border tax evasion. Foreign financial institutions that do not comply with the new regulation could face a 30 percent withholding tax on their accounts. The new regulation also builds on intergovernmental information sharing agreements that allow foreign financial institutions to report their financial information to their governments, which would pass the information to the IRS. The IRS has already signed or initialed intergovernmental information sharing agreements with Denmark, Ireland, Mexico, Norway, Spain, Switzerland, and the United Kingdom.

Federal Deposit Insurance Corporation

FDIC Approves Proposal Clarifying Insurance Status of Deposits at Foreign Branches of U.S. Banks

On February 12, 2013, the FDIC approved a proposal stating that the FDIC would not insure deposits held at foreign branches of U.S. banks. By a 5 to 0 vote, the new proposal explained that deposits held at foreign branches of U.S. banks will not receive U.S. deposit insurance guarantee coverage from the FDIC. The stated intention of the proposed rule is to limit the FDIC insurance fund's liability in the face of proposed change in regulation in the U.K. that would require U.S. banks to make deposits in foreign branches payable in the U.S., as well as in the U.K. The FDIC's proposal rule would clarify that foreign deposits payable in the U.S. do not receive FDIC coverage, although they retain all other legal protections for foreign deposits.

FHFA Seeks to Control Costs of "Forced" Insurance
On March 26, 2013, the FHFA issued a notice that the agency is proposing a new rule that would ban insurance companies from paying sales commissions and other fees on force-placed insurance to lenders or mortgage servicers for mortgages owned or guaranteed by Fannie Mae and Freddie Mac. This situation usually occurs when a borrower either fails to make a payment on his or her insurance premiums or does not renew the premiums on time. Lenders and mortgage services need force-placed insurance to protect their investments in case their properties are damaged or destroyed. However, federal and state regulators are concerned that force-placed insurance policies often have premiums that are much higher than premiums from insurance policies that consumers could have obtained on their own. After a 60-day comment period, the FHFA will review its proposal before issuing a final rule before the end of this year.

United States Courts
Sixth District Court of Appeals Rules that Mortgage Foreclosure Is Debt Collection
On January 14, 2013, the U.S. Court of Appeals for the Sixth Circuit ruled that mortgage foreclosure is a form of debt collection under the Fair Debt Collection Practices Act (FDCPA). In the case, *Glazer v. Chase Home Finance LLC*, 6th Cir., No. 10-3416, 1/14/13, Lawrence Glazer inherited a house that had an outstanding and active mortgage serviced by Chase Bank. After six missed housing payments, Chase began legal proceedings with its law firm to begin foreclosure proceedings.

In his opinion for the court, Judge Richard Allen Griffin stated the Sixth Circuit refused to follow cases that have held that mortgage foreclosure is not debt collection under the FDCPA since these lawsuits involve the enforcement of security interests. The FDCPA defines a debt collector as a person whose principle business is debt collection, and the Sixth Circuit concluded that entities enforcing security interests as their primary form of business are considered debt collectors. The FDCPA subjects debt collectors to civil liabilities for violating debt collection guidelines outlined in the law; therefore, law firms in the Sixth Circuit specializing in mortgage foreclosure will have to pay closer attention to the FDCPA's substantive and procedural protections for borrowers. The decision is the first time that the Sixth Circuit has ruled on the issue of debt collection and mortgage foreclosure.

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