

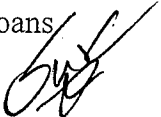


STATE OF ALABAMA
STATE BANKING DEPARTMENT



M-E-M-O-R-A-N-D-U-M

To: All Licensees under the Alabama Consumer Credit Act and Mortgage Brokers Licensing Act.

From: Scott Corscadden, Supervisor Bureau of Loans 

Date: May 5, 2009

Re: Emergency Regulation – Loan Modification Services

As the result of numerous requests for clarification, the State Banking Department hereby issues the following Emergency Regulation 2009-1A. This supersedes Emergency Regulation 2009-1 issued on April 14, 2009.

The Superintendent of Banks of the State of Alabama Banking Department hereby finds an emergency situation exists requiring the promulgation of an emergency regulation to protect the public welfare from abuses incident to the modification or renegotiation of consumer loans secured by residential real property. In the present distressed financial and economic condition of the nation, many lenders and borrowers are finding it in their best interest to modify the terms of outstanding consumer mortgage loans. As a result, there has been an explosive growth in the number of companies and other persons offering consumer mortgage loan modification services on behalf of borrowers. Generally, a consumer mortgage loan modification is a change in one or more of the terms of a consumer's residential mortgage loan, allowing the consumer mortgage loan to be reinstated, such as changing the interest rate, reducing the principal, and/or changing the monthly payments. At present, there are no regulations regarding the fees to be charged for such consumer mortgage loan modification services. The lack of such regulation opens the door to abusive practices which may worsen rather than improve a consumer's position. Consequently, to prevent such abuses, pursuant to the authority granted under Section 5-19-21(b)(3) and Section 5-25-13(b)(3) of the Code of Alabama, the following regulation is adopted to authorize a fee for consumer real estate mortgage loan modification services under Section 5-19-4(f)(6), not to exceed \$500.00, effective immediately:

Bureau of Loans – Emergency Regulation 2009-1A

Any person engaged in the business of providing consumer mortgage loan modification services for loans secured by residential real property located in the State of Alabama, for compensation, is required to be licensed under Chapter 19 or Chapter 25 of Title 5 of the Code of Alabama unless otherwise exempt from licensing under Chapter 19 and Chapter

25, as applicable. Any consumer mortgage loan modification service provider licensed under the Mortgage Brokers Licensing Act or Alabama Consumer Credit Act is allowed to charge and collect a fee of not more than \$500.00 for consumer mortgage loan modification services. No part of this fee may be paid to the mortgagee or person related to the mortgagee. No fee charged by a loan modification service provider greater than \$500.00 is permitted or considered bona fide and reasonable under Section 5-19-4(f). Attorneys acting in the capacity of attorney for the borrower and not attorney for the mortgage loan modification service provider are not subject to this regulation. Mortgagees on loans that are being modified are not engaged in the business of providing consumer mortgage loan modification services under this regulation.

Please note this version of Emergency Regulation 2009-1 supersedes the version issued April 14, 2009. This regulation shall expire at the end of 120 days or when superseded by the adoption of the same or a substantially similar regulation following the procedures set forth in Sections 5-19-21(b)(1), 5-19-21(b)(2), and/or 5-25-13(b)(1), 5-25-13(b)(2) whichever shall first occur.