

statement (which may be longer than 1 year) within 90 days of the date the account became current.

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(4) * * *

(iii) *Short year statement upon loan payoff.* If a borrower pays off a federally related mortgage loan during the escrow account computation year, the servicer shall submit a short year statement to the borrower within 60 days after receiving the payoff funds.

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(k) * * *

(5) *Timely payment of hazard insurance.* (i) *In general.* Except as provided in paragraph (k)(5)(iii) of this section, with respect to a borrower whose mortgage payment is more than 30 days overdue, but who has established an escrow account for the payment for hazard insurance, as defined in § 1024.31, a servicer may not purchase force-placed insurance, as that term is defined in § 1024.37(a), unless a servicer is unable to disburse funds from the borrower's escrow account to ensure that the borrower's hazard insurance premium charges are paid in a timely manner.

(ii) *Inability to disburse funds.* (A) *When inability exists.* A servicer is considered unable to disburse funds from a borrower's escrow account to ensure that the borrower's hazard insurance premiums are paid in a timely manner only if the servicer has a reasonable basis to believe either that the borrower's hazard insurance has been canceled (or was not renewed) for reasons other than nonpayment of premium charges or that the borrower's property is vacant.

(B) *When inability does not exist.* A servicer shall not be considered unable to disburse funds from the borrower's escrow account because the escrow account contains insufficient

funds for paying hazard insurance premium charges.

(C) *Recoupment of advances.* If a servicer advances funds to an escrow account to ensure that the borrower's hazard insurance premium charges are paid in a timely manner, a servicer may seek repayment from the borrower for the funds the servicer advanced, unless otherwise prohibited by applicable law.

(iii) *Small servicers.* Notwithstanding paragraphs (k)(5)(i) and (k)(5)(ii)(B) of this section and subject to the requirements in § 1024.37, a servicer that qualifies as a small servicer pursuant to 12 CFR 1026.41(e)(4) may purchase force-placed insurance and charge the cost of that insurance to the borrower if the cost to the borrower of the force-placed insurance is less than the amount the small servicer would need to disburse from the borrower's escrow account to ensure that the borrower's hazard insurance premium charges were paid in a timely manner.

11. Section 1024.18 is removed and reserved.

12. Section 1024.19 is removed and reserved.

13. Section 1024.21 is removed.

14. Section 1024.22 is removed.

15. Section 1024.23 is removed.

16. Subpart C is added to part 1024 to read as follows:

Subpart C—Mortgage Servicing

Sec.

1024.30	Scope.
1024.31	Definitions.
1024.32	General disclosure requirements.
1024.33	Mortgage servicing transfers.
1024.34	Timely payments by servicer.
1024.35	Error resolution procedures.
1024.36	Requests for information.
1024.37	Force-placed insurance.
1024.38	General servicing policies, procedures, and requirements.

- 1024.39 Early intervention requirements for certain borrowers.
1024.40 Continuity of contact.
1024.41 Loss mitigation procedures.

Subpart C—Mortgage Servicing

§ 1024.30 Scope.

(a) *In general.* Except as provided in paragraph (b) and (c) of this section, this subpart applies to any mortgage loan, as that term is defined in § 1024.31.

(b) *Exemptions.* Except as otherwise provided in § 1024.41(j), §§ 1024.38 through 41 of this subpart shall not apply to the following:

- (1) A servicer that qualifies as a small servicer pursuant to 12 CFR 1026.41(e)(4);
- (2) A servicer with respect to any reverse mortgage transaction as that term is defined in

§ 1024.31; and

- (3) A servicer with respect to any mortgage loan for which the servicer is a qualified lender as that term is defined in 12 CFR 617.7000.

(c) *Scope of certain sections.* (1) § 1024.33(a) only applies to mortgage loans that are secured by a first lien.

(2) The procedures set forth in §§ 1024.39 through 41 of this subpart only apply to a mortgage loan that is secured by a property that is a borrower's principal residence.

§ 1024.31 Definitions.

For purposes of this subpart:

Consumer reporting agency has the meaning set forth in section 603 of the Fair Credit Reporting Act, 15 U.S.C. 1681a.

Day means calendar day.

Hazard insurance means insurance on the property securing a mortgage loan that protects the property against loss caused by fire, wind, flood, earthquake, theft, falling objects, freezing,

and other similar hazards for which the owner or assignee of such loan requires insurance.

Loss mitigation application means an oral or written request for a loss mitigation option that is accompanied by any information required by a servicer for evaluation for a loss mitigation option.

Loss mitigation option means an alternative to foreclosure offered by the owner or assignee of a mortgage loan that is made available through the servicer to the borrower.

Master servicer means the owner of the right to perform servicing. A master servicer may perform the servicing itself or do so through a subservicer.

Mortgage loan means any federally related mortgage loan, as that term is defined in § 1024.2 subject to the exemptions in § 1024.5(b), but does not include open-end lines of credit (home equity plans).

Qualified written request means a written correspondence from the borrower to the servicer that includes, or otherwise enables the servicer to identify, the name and account of the borrower, and either:

- (1) States the reasons the borrower believes the account is in error; or
- (2) Provides sufficient detail to the servicer regarding information relating to the servicing of the mortgage loan sought by the borrower.

Reverse mortgage transaction has the meaning set forth in 12 CFR 1026.33(a).

Service provider means any party retained by a servicer that interacts with a borrower or provides a service to the servicer for which a borrower may incur a fee.

Subservicer means a servicer that does not own the right to perform servicing, but that performs servicing on behalf of the master servicer.

Transferee servicer means a servicer that obtains or will obtain the right to perform