



Summary of Mortgage Servicing Rule Proposals

This rule package is being proposed to provide clarity to mortgage servicers regarding the application of the Ohio Residential Mortgage Lending Act (RMLA) to their businesses and to protect consumers by ensuring that procedures are in place to prevent servicing problems. The rules address registration of offices, unlicensed activity, recordkeeping, prohibited practices, servicing transfers, escrow payments, payment processing, error resolution, borrower requests for information, and a servicer's obligations upon loss of license. The rules generally mirror 12 C.F.R. Part 1024, Subpart C (Regulation X) and, to some extent, 12 C.F.R. Part 1026 (Regulation Z). The differences are discussed below.

The Division is requesting stakeholder feedback on this rule package before drafting a final version. If you have comments, please send them to webdfi-cfrules@com.ohio.gov by 5:00 p.m. Friday May 2, 2025.

1301:8-7-02 (amend): Registration, letters of exemption for qualified exempt entities, office requirements and restrictions.

The rule covers registration, letters of exemption for qualified exempt entities, office requirements, and restrictions. In particular, it implements the statutory requirement for entities subject to the RMLA to register each office location at which it transacts business.

This rule is being amended to clarify that the requirement for entities subject to the RMLA to register each office location applies to mortgage servicers, not just brokers and lenders.

1301:8-7-03 (amend): Standards for applications, certificates of registration, letters of exemption, and licenses.

This rule covers standards for applications, certificates of registration, letters of exemption, and licenses.

This rule is being amended as follows:

- Clarifies that a mortgage servicer cannot conduct business if they fail to renew their application;
- Corrects a drafting error that incorrectly identified a renewal date of January 31 rather than the correct date of December 31;
- Clarifies that the provision regarding failure to renew does not apply if the applicant submits its materials along with any required late fees within 45 days;
- Removes the option to surrender by submitting a written statement to the Superintendent, leaving submission of a request through NMLS as the sole option;

- Makes minor, non-substantive, technical changes.

1301:8-7-06 (amend): Recordkeeping.

This rule governs recordkeeping requirements.

This rule is being amended as follows:

- Requires a mortgage servicer to retain records that document actions taken with respect to a borrower's account for four years following the date the loan is discharged or transferred to another servicer;
- Requires a servicer to maintain specified documents and data in a manner that facilitates compiling the documents and data into a servicing file within five days;
- Makes minor, non-substantive, technical changes.

This amendment requires retention of the same records required under 12 C.F.R. 1024.38(c). However, it changes the retention period from one year to four years. In addition, while this provision of the C.F.R. exempts servicers that service 5,000 or fewer loans per year, with one exception, this rule does *not* exempt such servicers. The only requirement from which small servicers are exempt is the requirement to provide documents pursuant to 12 C.F.R. 1024.41, as that provision of federal law governs loss mitigation, a topic not addressed by the Revised Code.

1301:8-7-16 (amend): Prohibited practices.

This rule contains a list of actions that constitute improper, fraudulent, or dishonest dealings under R.C. 1322.40.

This rule is being amended to add a number of items to the list of activities that constitute improper, fraudulent, or dishonest dealings. The new items include conduct such as assessing certain problematic fees, failing to process payments in a timely manner, commingling certain funds, and others. This amendment also make minor, non-substantive, technical changes.

This amendment implements the same provisions servicers must already follow under 12 C.F.R. 1024.37 and 1026.36(c)(1) through (c)(2), excluding (c)(2)(ii)(A). It also adds additional activities that constitute improper, fraudulent, or dishonest dealings.

1301:8-7-35 (new): Mortgage servicing definitions.

The rule defines terms used in the new mortgage servicing rules that are being proposed in this package.

The rule uses definitions from 12 C.F.R. 1024.2, 1024.17(b), and 1024.31. The only terms that do not originate in the C.F.R. are "federal lending law" and "residential mortgage loan," although the latter is defined to limit the new rules' application to closed-end loans, as under 12 C.F.R. Parts 1024 (Regulation X) and 1026 (Regulation Z).

1301:8-7-36 (new): Mortgage servicing transfers.

This rule governs what happens when a borrower makes a mortgage payment to their old servicer after the mortgage has been transferred to a new servicer. It prohibits an on-time payment made to the old servicer from being treated as a late payment to the new servicer. It also requires the old servicer to either forward the payment to the new servicer, or return it to the borrower and notify the borrower of the proper recipient.

The rule generally mirrors 12 C.F.R. 1024.33(c).

1301:8-7-37 (new): Timely escrow payments and treatment of escrow account balances.

This rule requires a mortgage servicer to make all required escrow payments in a timely manner. It requires the servicer to timely return any payments due to the borrower. It also allows the servicer, if the borrower agrees, to credit any amount remaining in a borrower's account to a new escrow account for a new loan. The rule generally mirrors 12 C.F.R. 1024.34 and 1024.17(k).

1301:8-7-38 (new): Error resolution procedures.

The rule establishes error resolution procedures as follows:

- Requires servicers to designate and publish a specific address for error notices, acknowledge notices within 5 days, and respond within 30 days, or 7 days for payoff balance errors, by either correcting the error or explaining why no error occurred after investigation. A 15-day extension is permitted except for payoff balance errors.
- Requires servicers to provide investigation documents upon request within 15 days, excluding confidential information;
- Prohibits services from charging fees or requiring supporting documentation from borrowers;
- Requires servicers to pause adverse credit reporting for 60 days after receiving an error notice;
- Exempts servicers if they correct errors within 5 days, or if notices are duplicative, overbroad, or submitted more than one year after loan transfer or discharge;
- Clarifies that legal remedies including foreclosure remain available to servicers.

This rule generally mirrors 12 C.F.R. 1024.34 and 1024.17(k).

1301:8-7-39 (new): Requests for information.

The rule establishes information request procedures as follows:

- Requires servicers to designate and publish a specific address for information requests, acknowledge requests within 5 days, and respond within 30 days, or 10 days for requests for the identity or contact information of the owner or assignee. Requires a servicer to respond either by providing the requested information or

by explaining why it's unavailable after a reasonable search. A 15-day extension is permitted except for requests for the identity or contact information of the owner or assignee.

- Exempts servicers if they provide the requested information within 5 days, or if requests are duplicative, confidential, unrelated to the loan, unduly burdensome, or submitted more than one year after loan transfer or discharge;
- Permits servicers to omit personal information about persons other than the requestor from responses, except for information about basic loan terms and payment history;
- Prohibits servicers from charging fees for responses;
- Clarifies that servicers may report adverse information to consumer reporting agencies or pursue remedies like foreclosure while processing information requests;
- When the requestor is a potential successor-in-interest, requires servicers to explain required documentation for proving the requestor's identity and ownership interest.

This rule generally mirrors 12 C.F.R. 1024.36.

1301:8-7-40 (new): Mortgage servicer obligations upon loss of license.

The rule provides that the loss of a license does not affect a servicer's obligations under a preexisting contract with a lender or borrower.