The Minnesota Department of Commerce collected $1 million in penalties this week from a national mortgage settlement announced in February. Forty-nine states including Minnesota joined the $25 billion settlement which involves the nation's five largest national mortgage lenders: Bank of America, JP Morgan Chase, Wells Fargo, Citibank, and GMAC/Ally Financial.

"The mortgage crisis has left in its wake a path of foreclosures and financial distress for hundreds of thousands of Minnesota families," said Commerce Commissioner Mike Rothman. "Over the last seven years nearly 136,000 Minnesota homes have gone into foreclosure, and one out of every 905 homes in Minnesota received a notice of foreclosure last month. "The financial reparations provided by this settlement will not make our families or communities whole; but it is a step toward redressing hardship faced by homeowners," said Commissioner Rothman. "Moving forward, we must closely monitor the mortgage servicing sector to ensure Minnesota homeowners are treated fairly under our laws."

The nationwide settlement, which is explained in detail at www.nationalmortgagesettlement.com, was negotiated by state attorneys general, the United States Department of Justice and the United States Department of Housing and Urban Development. State bank regulators, including the Minnesota Department of Commerce, were also asked to sign onto the settlement.

According to state law, penalties retrieved by the Commerce Department through this settlement are deposited into the state's General Fund. By contrast, up to $41.5 million in penalties collected by the Minnesota Office of the Attorney General may be delivered in the form of direct payment to distressed Minnesota borrowers and organizations working with distressed homeowners. Through direct payments, refinancing benefits, principal reduction, and other assistance, distressed Minnesota homeowners are eligible under the settlement for up to $280 million in mortgage relief.

The settlement also provides for tougher national mortgage servicing standards including:

- Servicers must process loan modification applications in 30 days

- Servicers can't proceed to a foreclosure if a borrower has a loan modification application pending at least 15 days prior to the sheriff sale

- If a borrower is in compliance with a trial loan modification, servicers cannot commence a foreclosure sheriff sale

- Servicers may only charge one month's late fee for a missed monthly payment

- Servicers must process "short sale" (e.g. selling an underwater home for less than the mortgage) requests within 30 days

- Servicers must provide timely and accurate information to borrowers regarding loan

information, including payment history, copies of assignments demonstrating the right to foreclose, name of the investor who owns the loan, information needed to bring the account current, and an itemization of late payment fees

Minnesota borrowers with questions about the settlement may call the Minnesota Attorney General's Office at (651) 296-3353 or (800) 657-3787 or the Minnesota Department of Commerce at (651) 296-2488 or (800) 657-3602. Homeowners should also review the national mortgage settlement website at www.nationalmortgagesettlement.com.