Back from the Dead: Zombie Second Mortgages

By Lorelei Salas – JAN 17, 2025

Forgotten second mortgages may be coming back to haunt homeowners who haven't received notices or account statements for years. Some homeowners may have thought their second mortgages had been modified along with the first mortgage, discharged in bankruptcy, or forgiven. As home prices have increased and homeowners have paid down their first mortgages, some are facing foreclosure notices and payment demands from companies claiming to own or otherwise having the right to collect on these second or so-called **zombie mortgages** (cfpb.gov/askcfpb/2133).

The CFPB **continues** (cfpb.gov/23481/20250130230544/https://www.consumerfinance.gov/about-us/blog/zombie-second-mortgages-when-collectors-come-for-long-forgotten-home-loans/) to receive consumer complaints related to these once thought by homeowners as resolved loans. Many homeowners allege that, prior to recent collection efforts and foreclosure actions, they had not received any communications from servicers concerning these loans for many years. Others claim that they have been subjected to aggressive collection tactics, including being approached in person, being told they face imminent foreclosure if they do not pay interest and junk fees, or being pressured to accept unreasonable loan modification options.

As part of the CFPB's ongoing **work** (cfpb.gov/23481/20250130230544/https://www.consumerfinance.gov/about-us/newsroom/cfpb-issues-guidance-to-protect-homeowners-from-illegal-collection-tactics-on-zombie-mortgages/) in this area, we sent targeted information requests to mortgage servicers to better understand the size and risk of the zombie loan market. CFPB examiners found that one or more entities failed to send periodic statements to homeowners whose loans accrued interest and fees and were subjected to collections activity. The request responses further revealed that the vast majority of these loans are concentrated among a few servicers and the majority of these loans last posted a payment in 2015 or earlier. In addition, many homeowners aren't receiving regular periodic statements and some last received a periodic statement in 2015 or earlier.

The CFPB is monitoring the market to ensure that companies don't attempt to evade federal consumer financial laws. For example, the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA) and their implementing regulations generally require mortgage servicers to provide homeowners with periodic statements and notices of ownership and servicing transfers. Charging off a loan does not generally exempt servicers from providing periodic statements, unless homeowners are provided with proper notice of the charge off and the servicer stops charging any additional fees or interest. In addition, mortgage servicers must make ongoing good faith efforts to establish live contact with delinquent homeowners. Many individuals and entities that seek to collect on these defaulted loans are debt collectors as defined by the Fair Debt Collection Practices Act (FDCPA). In an **April 2023 advisory opinion** (cfpb.gov/23481/20250130230544/https://www.consumerfinance.gov/about-us/newsroom/cfpb-issues-guidance-to-protect-homeowners-from-illegal-collection-tactics-on-zombie-mortgages/) the CFPB issued guidance that debt collection activities on zombie second mortgages may violate the FDCPA and its implementing regulation. These protections apply regardless of the age of the loan.

If you have had a problem with mortgage servicing, you can **submit a complaint with the CFPB** (cfpb.gov/23481/20250130230544/https://www.consumerfinance.gov/complaint/).

Topics

- **MORTGAGE SERVICING** (CFPB.GOV/23481/20250130230544/HTTPS://WWW.CONSUMERFINANCE.GOV/ABOUT-US/BLOG/?TOPICS=MORTGAGE-SERVICING)
- **MORTGAGES** (CFPB.GOV/23481/20250130230544/HTTPS://WWW.CONSUMERFINANCE.GOV/ABOUT-US/BLOG/?TOPICS=MORTGAGES)

FURTHER READING

Blog

Strengthening Appraisal Oversight: Progress at the Appraisal Subcommittee (cfpb.gov/23481/20250130230544/https://www.consumerfinance.gov/about-us/blog/strengthening-

Mortgage Lenders Must Comply with the Law, Not Invent Loopholes (cfpb.gov/23481/20250130230544/https://www.consumerfinance.gov/about-us/blog/mortgage-lenders-must-comply-with-the-law-not-invent-loopholes/)

appraisal-oversight-progress-at-the-appraisal-subcommittee/)

JAN 17, 2025

JAN 15, 2025

New tactics from companies trying to charge illegal junk fees (cfpb.gov/23481/20250130230544/https://www.consumerfinance.gov/about-us/blog/new-tactics-from-companies-trying-to-charge-illegal-junk-fees/)

DEC 19, 2024

Newsroom

CFPB Report Finds Cash-Out Mortgage Refinance Borrowers Improve Credit Scores (cfpb.gov/23481/20250130230544/https://www.consumerfinance.gov/about-us/newsroom/cfpb-report-finds-cash-out-mortgage-refinance-borrowers-improve-credit-scores/)

JAN 24, 2025

CFPB Takes Action Against Draper & Kramer Mortgage for Discriminatory Mortgage Lending Practices (cfpb.gov/23481/20250130230544/https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-draper-kramer-mortgage-for-discriminatory-mortgage-lending-practices/)

JAN 17, 2025

Consumer advisory: Beware of costly, risky, and complex home equity "investment" contracts (cfpb.gov/23481/20250130230544/https://www.consumerfinance.gov/about-us/newsroom/consumer-advisory-beware-of-costly-risky-and-complex-home-equity-investment-contracts/)

JAN 15, 2025

Events

CFPB Field Hearing on contract for deed in the Twin Cities (cfpb.gov/23481/20250130230544/https://www.consumerfinance.gov/about-us/events/archive-past-events/cfpb-to-hold-a-field-hearing-on-contract-for-deed-in-the-twin-cities/)

AUG 13, 2024

View more (cfpb.gov/23481/20250130230544/https://www.consumerfinance.gov/activity-log/?topics=mortgage-servicing&topics=mortgages)