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USTP PRESS RELEASES

Department of Justice

Executive Office for United States Trustees

For Immediate Release

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U.S. TRUSTEE PROGRAM ANNOUNCES RESOLUTION OF LITIGATION AGAINST COUNTRYWIDE HOME LOANS, INC., IN CONSUMER BANKRUPTCY CASES

WASHINGTON – The U.S. Trustee Program (USTP) has successfully resolved litigation against Countrywide Home Loans Inc. in its ongoing efforts to protect homeowners in bankruptcy, Clifford J. White III, Director of the Executive Office for U.S. Trustees, announced today.

Over a two-year period, the USTP worked closely with the Federal Trade Commission (FTC) to carry out parallel investigations relating to Countrywide's improper conduct in servicing home loans.

Today, the FTC announced a consent order with Countrywide and its affiliate BAC Home Loans Servicing LP that resolves an FTC complaint and the USTP's litigation in bankruptcy courts.

Homeowners in Bankruptcy Protected

"Homeowners who file for bankruptcy protection and obey the rules are entitled to a fresh start," stated Director White. "Today's agreement among the FTC, USTP, and Countrywide helps to ensure that debtors receive the relief to which they are legally entitled. The agreement will compensate homeowners in bankruptcy who were victimized by Countrywide's improper business practices, and will help prevent future harm to homeowners in dire financial straits who legitimately seek bankruptcy protection."

The Bankruptcy Code imposes duties on debtors to completely and accurately report on their financial condition. Similarly, it imposes a duty on creditors to file complete and accurate claims regarding the amount of money owed to them. In pending litigation, the USTP alleged Countrywide failed to satisfy its obligations as a creditor and thereby harmed not only homeowners in chapter 13 bankruptcy, but other creditors as well.

USTP litigation against Countrywide focused on three types of practices: inflating the mortgage claims Countrywide made against homeowners in chapter 13 bankruptcy; failing to properly credit homeowners with payments made; and failing to notify homeowners of extra charges added to the mortgage bill. These improper accounting and billing practices can be catastrophic to debtors, who may emerge from bankruptcy only to end up losing the family home, and unfair to other creditors, who may receive less than their fair share from the bankruptcy estate because the mortgage company claimed more than it was entitled to receive.

Mortgage Servicing Abuses Addressed

The USTP launched investigations of Countrywide, as well as other mortgage lenders, after receiving complaints of chronic accounting irregularities by mortgage servicing companies. Overall, in FY 2009, U.S. Trustees took more than 9,000 formal and informal consumer protection actions, including a large number of actions against mortgage servicing companies. On the Countrywide matter, the USTP worked closely with the FTC in fashioning the consent order announced today.

Under the consent order:

- Debtors who were victimized by Countrywide's wrongful actions will receive compensation;
- Countrywide will establish internal procedures and an independent third party will verify compliance with the prescribed procedures, to help ensure that the bills and claims filed in bankruptcy court are accurate; and
- Countrywide will provide adequate notice of its charges so debtors do not emerge from bankruptcy only to be required to pay previously undisclosed charges or risk foreclosure.

Pending Bankruptcy Actions Resolved

The consent order resolves the USTP's challenges to Countrywide's mortgage servicing practices in litigation throughout the country, including in the bankruptcy cases of *In re Atchley*, Case No.05-79232, Adv. No.08-6092 (Bankr. N.D. Ga. Feb. 28, 2008); *In re Hill*,

Case No. 01-22574 (Bankr. W.D. Pa. June 29, 2008); and *In re Sanchez*, Case No. 01-42230, Adv. No. 08-1176 (Bankr. S.D. Fla. Mar. 1, 2008). The consent order does not bind non-parties, including debtors.

The USTP is a member of the President's Financial Fraud Enforcement Task Force, which was established to improve efforts across the government and with state and local partners to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, recover proceeds for victims, and address financial discrimination in the lending and financial markets. Homeowners may visit the Task Force's Web site at www.stopfraud.gov for information on reporting mortgage and other financial fraud, as well as valuable tips on protecting themselves against mortgage and financial scams.

The USTP is the component of the Justice Department that protects the integrity of the bankruptcy system by overseeing case administration and litigating to enforce the bankruptcy laws. The USTP has 21 regions and 95 field offices.

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