

**STATEMENT OF
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EXECUTIVE OFFICE FOR U.S. TRUSTEES
UNITED STATES DEPARTMENT OF JUSTICE**

**PRESS BRIEFING ON
FEDERAL TRADE COMMISSION AND U.S. TRUSTEES'
SETTLEMENT WITH COUNTRYWIDE HOME LOANS, INC. AND
BAC HOME LOANS SERVICING LP**

**Washington, D.C.
June 7, 2010**

Good morning.

I am pleased to join Chairman Leibowitz in announcing the resolution of litigation between the U.S. Trustee Program and Countrywide Home Loans, Inc.

The U.S. Trustee Program is the component of the Department of Justice with responsibility for upholding the bankruptcy laws. The American public has a vital stake in the bankruptcy system because it entitles honest debtors to a fresh start and it entitles honest creditors to repayment from available debtor funds. The Bankruptcy Code imposes important duties on debtors to completely and accurately report on their financial condition. And it imposes a duty on creditors to file complete and accurate claims regarding the amount of money owed to them.

We allege that Countrywide failed to satisfy its obligations as a creditor and thereby harmed not only homeowners in bankruptcy, but potentially other creditors as well.

The agreement announced today 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.

Chairman Leibowitz has described the broad contours of the FTC settlement that protects homeowners in and out of bankruptcy. By this agreement, the U.S. Trustees will terminate their challenges to Countrywide's mortgage servicing practices in litigation in bankruptcy cases pending throughout the country. United States Trustee litigation against Countrywide has centered on three central violations:

- (1) Countrywide inflated claims it made against homeowners in bankruptcy;
- (2) Countrywide failed to properly credit homeowners with payments made; and
- (3) Countrywide failed to notify homeowners of extra charges it was adding to the mortgage bill.

These violations may be catastrophic to debtors who may emerge from bankruptcy only to end up losing their family homes, and unfair to other creditors

who may receive less than their fair share from the bankruptcy estate because the mortgage company claimed more money than it was entitled to receive.

The FTC agreement with Countrywide addresses each of the bankruptcy violations we allege against Countrywide. Under this agreement:

- 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.

The U.S. Trustee Program launched its investigations of Countrywide and other mortgage lenders after receiving complaints of chronic accounting irregularities by mortgage servicing companies. Overall, last year, 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, we worked closely with FTC and utilized our respective authorities to protect homeowners and to fashion this settlement agreement. I commend the lawyers and staff of the FTC and the U.S. Trustee Program for the vigor and skill with which they pursued this matter.

I also express appreciation to Senator Schumer and Senator Sessions of the Judiciary Committee for holding a hearing two years ago on the problem of hidden fees and misaccounting by mortgage companies whose customers were in bankruptcy. Both Ms. Atchley and I testified at that hearing. I credit that hearing with helping to focus attention on this important problem.

The U.S. Trustee Program is a member of the President’s Financial Fraud Enforcement Task Force. The Task Force Web site is www.stopfraud.gov. The Web site provides important information about how to report mortgage and other

financial fraud. It also provides valuable tips on how to protect yourself from falling victim to mortgage and financial scams.

Homeowners who file for bankruptcy protection and obey the rules are entitled to a fresh start. This agreement with Countrywide helps to ensure that they will receive the relief to which they are legally entitled.

Thank you.

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