

**UNITED STATES OF AMERICA  
FEDERAL TRADE COMMISSION**

**In the Matter of**

**SUPERIOR MORTGAGE CORPORATION,  
a corporation.**

**Docket C-4153**

**COMPLAINT**

The Federal Trade Commission (“Commission”), having reason to believe that Superior Mortgage Corp. has violated the provisions of the Commission’s Standards for Safeguarding Customer Information Rule (“Safeguards Rule”), 16 C.F.R. Part 314, issued pursuant to Title V of the Gramm-Leach-Bliley Act (“GLB Act”), 15 U.S.C. ‘ 6801 *et seq.*, and the provisions of the Federal Trade Commission Act, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent Superior Mortgage Corp. (“Superior Mortgage”) is a New Jersey corporation with its principal office or place of business at 1395 Route 539, Tuckerton, New Jersey 08087. In addition to conducting business from its headquarters location in Tuckerton, Superior Mortgage conducts business through forty (40) branch offices located in ten different states, as well as through six separate websites.
2. Respondent is a direct lender that specializes in residential mortgage loans. As such, it is a “financial institution,” as that term is defined in Section 509(3)(A) of the GLB Act, and is therefore subject to the requirements of the Safeguards Rule.
3. The acts and practices of respondent alleged in this complaint have been in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act, 15 U.S.C. ‘ 44.

**SAFEGUARDS RULE**

4. The Safeguards Rule, which implements Section 501(b) of the GLB Act, was promulgated by the Commission on May 23, 2002, and became effective on May 23, 2003. The Rule requires financial institutions to protect the security, confidentiality, and integrity of customer information by developing a comprehensive written information security program that contains reasonable administrative, technical, and physical safeguards, including:

- A. Designating one or more employees to coordinate the information security program;
- B. Identifying reasonably foreseeable internal and external risks to the security, confidentiality, and integrity of customer information, and assessing the sufficiency of any safeguards in place to control those risks;
- C. Designing and implementing information safeguards to control the risks identified through risk assessment, and regularly testing or otherwise monitoring the effectiveness of the safeguards' key controls, systems, and procedures;
- D. Overseeing service providers, and requiring them by contract to protect the security and confidentiality of customer information; and
- E. Evaluating and adjusting the information security program in light of the results of testing and monitoring, changes to the business operation, and other relevant circumstances.

#### **VIOLATIONS OF THE SAFEGUARDS RULE**

- 5. Through its offices and websites, respondent has collected sensitive customer information in connection with the mortgage application process, including customer names, Social Security numbers, credit histories, and bank and credit card account numbers. Since the Rule's effective date until at least May 2005, respondent failed to implement reasonable policies and procedures to protect the security and confidentiality of the information it collects.
- 6. For example, respondent failed to (a) assess risks to its customer information until more than a year after the Rule's effective date; (b) institute appropriate password policies to control access to company systems and documents containing sensitive customer information; and (c) encrypt or otherwise protect sensitive customer information emailed by respondent and its service providers using networks outside of respondent's computer network. Respondent also failed to take reasonable steps to ensure that its service providers were providing appropriate security for customer information and addressing known security risks in a timely fashion.
- 7. By failing to implement reasonable security policies and procedures, respondent engaged in violations of the Safeguards Rule, including but not limited to:
  - A. Failing to identify reasonably foreseeable internal and external risks to the security, confidentiality, and integrity of customer information;



to respondent's headquarters and branch offices in clear, readable text. Therefore, the representation set forth in paragraph 12 was false or misleading.

14. The acts and practices of respondent as alleged in this complaint constitute unfair or deceptive acts or practices, in or affecting commerce, in violation of Section 5(a) of the Federal Trade Commission Act.

THEREFORE, the Federal Trade Commission this fourteenth day of December, 2005,  
has issue