

FOR IMMEDIATE RELEASE:

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CONTACT:

Office of Communications

Tel: (202) 435-7170

CONSUMER FINANCIAL PROTECTION BUREAU TAKES ACTION AGAINST FLAGSTAR BANK FOR VIOLATING NEW MORTGAGE SERVICING RULES

Flagstar to Pay \$37.5 Million for Blocking Mortgage Borrowers' Attempts to Save Their Homes

Washington, D.C. Today the Consumer Financial Protection Bureau (CFPB) took action against Michigan-based Flagstar Bank for violating the CFPB's new mortgage servicing rules by illegally blocking borrowers' attempts to save their homes. At every step in the foreclosure relief process, Flagstar failed borrowers. The bank took excessive time to process borrowers' applications for foreclosure relief, failed to tell borrowers when their applications were incomplete, denied loan modifications to qualified borrowers, and illegally delayed finalizing permanent loan modifications. The CFPB is ordering Flagstar to halt its illegal activities, pay \$27.5 million to victims, and pay a \$10 million fine.

"Because of Flagstar's illegal actions and unacceptable delays, struggling homeowners lost the opportunity to save their homes," said CFPB Director Richard Cordray. "The Bureau has been clear that mortgage servicers must follow our new servicing rules and treat homeowners fairly. Today's action signals a new era of enforcement to protect consumers against the cost of servicer runarounds."

The consent order is available at http://files.consumerfinance.gov/f/201409_cfpb_consent_order_flagstar.pdf

Flagstar is a federal savings bank and mortgage servicer based out of Troy, Michigan. Flagstar administers foreclosure relief programs provided by the owner of the loan. Foreclosure relief programs mitigate losses for both the borrower and the owners of the loans by providing alternatives to foreclosure. These alternatives are known as "loss mitigation" programs. Flagstar is responsible for soliciting borrowers for these programs, collecting their applications, determining eligibility, and implementing the loss mitigation program for qualified borrowers.

The Bureau's months to review a single application. In Flagstar's loss mitigation call center, the average call wait time was 25 minutes and the average call abandonment rate was almost 50 percent. And Flagstar's loss

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the CFPB has the authority to take action against institutions violating the January 2014 new mortgage servicing rules, and it has authority to take action against institutions engaging in unfair, deceptive, or abusive practices. The CFPB's order requires Flagstar to:

- Pay \$27.5 million in redress to victims Flagstar must pay \$27.5 million to the approximately 6,500 consumers \$27

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CONTACT:

Office of Communications

Tel: (202) 435-7170

CONSUMER FINANCIAL PROTECTION BUREAU FILES SUIT AGAINST DEBT COLLECTION LAWSUIT MILL
Georgia Firm Relies on Deceptive Court Filings and Faulty Evidence to Churn Out Lawsuits

WASHINGTON, D.C. — Today, the Consumer Financial Protection Bureau (CFPB) filed a lawsuit in a federal district court against a Georgia-based firm, Frederick J. Hanna & Associates, and its three principal partners for operating a debt collection lawsuit mill that uses illegal tactics to intimidate consumers into paying debts they may not owe. The Bureau alleges that the Hanna firm churns out hundreds of thousands of lawsuits that frequently rely on deceptive court filings and faulty or unsubstantiated evidence. The CFPB is seeking compensation for victims, a civil fine, and an injunction against the company and its partners.

“The Hanna firm relies on deception and faulty evidence to drag consumers to court and collect millions,” said CFPB Director Richard Cordray. “We believe they are taking advantage of consumers’ lack of legal expertise to intimidate them into paying debts they may not even owe. Today we are taking action to put a stop to these illegal debt collection practices.”

The Hanna firm focuses exclusively on debt collection litigation, and its three principal partners, Frederick J. Hanna, Joseph Cooling, and Robert Winter, play an active role in the company’s business strategies and practices. The firm performs debt collection activities and typically files lawsuits if those efforts do not lead to collections.

The CFPB alleges that the firm operates like a factory, producing hundreds of thousands of debt collection lawsuits against consumers on behalf of its clients, which mainly include banks, debt buyers, and major credit card issuers. Between 2009 and 2013 the firm filed more than 350,000 debt collection

