



Department of Justice



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JUSTICE DEPARTMENT SETTLES WITH BANK OF AMERICA AND SAXON MORTGAGE FOR ILLEGALLY FORECLOSING ON SERVICEMEMBERS

Settlement Includes a Minimum of \$22 Million in Relief for Victims

WASHINGTON - The Justice Department today announced settlements with two lenders under the Servicemembers Civil Relief Act (SCRA) to resolve allegations that the lenders wrongfully foreclosed upon active duty servicemembers without first obtaining court orders, in violation of the SCRA. Combined, the settlements provide more than \$22 million in monetary relief for the victims.

Under the first settlement, BAC Home Loans Servicing LP, formerly known as Countrywide Home Loans Servicing LP, a subsidiary of Bank of America Corporation, will pay \$20 million to resolve a lawsuit alleging that Countrywide foreclosed on approximately 160 servicemembers between January 2006 and May 2009 without court orders. In addition to the \$20 million, Countrywide agreed to pay any servicemember wrongfully foreclosed in the period from June 2009 through 2010. The complaint alleges that Countrywide did not consistently check the military status of borrowers on whom it foreclosed through at least May 31, 2009. The complaint was filed in the Central District of California, where Countrywide is headquartered.

Under the second settlement, Saxon Mortgage Services Inc., a subsidiary of Morgan Stanley, will pay \$2.35 million to resolve a lawsuit alleging that Saxon foreclosed on approximately 17 servicemembers between January 2006 and June 2009 without court orders. In addition to the \$2.35 million, Saxon agreed to pay any servicemember wrongfully foreclosed in the period from July 2009 through 2010. The complaint alleges that Saxon failed to consistently or accurately check the military status of borrowers on whom it foreclosed through at least June 30, 2009. The complaint was filed in the Northern District of Texas, where Saxon is headquartered.

“The men and women who serve our nation in the armed forces deserve, at the very least, to know that they will not have their homes taken from them wrongfully while they are bravely putting their lives on the line on behalf of their country,” said Thomas E. Perez, Assistant Attorney General for the Civil Rights Division of the Department of Justice. “The Civil Rights Division is committed to aggressively enforcing those laws that protect the rights of servicemembers. All lenders have an obligation to do their part to work with servicemembers

while these brave men and women focus on keeping us safe. The Justice Department also thanks the Department of Defense for its critical assistance in identifying servicemembers whose rights were violated”

“Countrywide Home Loans failed to protect and respect the rights of our servicemembers, failed to comply with clearly mandated procedures and foreclosed against homeowners who are valiantly serving our nation,” said André Birotte Jr, U.S. Attorney for the Central District of California. “Military families lost their homes when Countrywide violated the law, causing undue stress to wartime personnel who have been protected from such actions since the Civil War.”

“With the numerous sacrifices our servicemembers make while they are serving our country, the last thing they need to worry about is whether or not their families will be forced from their homes,” said James T. Jacks, U.S. Attorney for the Northern District of Texas. “These lenders’ callous disregard for the SCRA, a law which was designed to insulate these patriots from unlawful foreclosures and other civil and financial obligations while they are on active duty, is deplorable and I applaud the Department’s Civil Rights Division’s efforts in identifying and seeking remedies for these wronged service members.”

Of the approximately 160 servicemembers upon whom Countrywide foreclosed without obtaining court orders, Countrywide allegedly foreclosed in many instances where it knew, or should have known, about their military status. The victims include individuals who have served honorably in Iraq and Afghanistan. The Department of Justice initiated its SCRA investigation of Countrywide in response to a referral by the U.S. Marine Corps regarding an active duty servicemember who was facing foreclosure by Countrywide.

Under the consent decree, Countrywide will establish a settlement fund of \$20 million to compensate the servicemembers upon whom Countrywide foreclosed between January 1, 2006, and May 31, 2009. In addition to this settlement fund, Countrywide has agreed to compensate any additional SCRA-eligible individuals on whom Countrywide foreclosed without court orders between June 1, 2009, and Dec. 31, 2010. The consent decree also requires numerous corrective measures, including SCRA training for Countrywide employees and agents, developing modified SCRA policies and procedures and referring future SCRA complaints to the Justice Department. Countrywide will also repair any negative credit report entries related to the allegedly wrongful foreclosures and will not pursue any remaining amounts owed under the mortgages. Countrywide now will check the Defense Manpower Data Center’s website and its own files prior to conducting any foreclosure, and will not foreclose in violation of the SCRA if the borrower is in military service or is otherwise protected by the SCRA.

Of the approximately 18 servicemembers upon whom Saxon foreclosed without obtaining court orders, Saxon allegedly foreclosed on at least 10 servicemembers when Saxon knew or should have known about their military status. The servicemembers Saxon foreclosed on include men and women who have served honorably in Iraq, some of whom were severely injured in the line of duty or suffer from post-traumatic stress disorder. The Department of Justice initiated its SCRA investigation in response to an inquiry from Sergeant James Hurley, who resolved his claims against Saxon earlier this year in a confidential settlement.

Under the consent decree, Saxon will establish a settlement fund of \$2.35 million to compensate the servicemembers upon whom Saxon allegedly wrongfully foreclosed between 2006 and 2009. In addition to this settlement fund, Saxon also has agreed to compensate any additional SCRA-eligible servicemembers on whom Saxon foreclosed without court orders between July 1, 2009, and Dec. 31, 2010. The consent decree also requires numerous corrective measures, including SCRA training for Saxon employees and agents, developing modified SCRA policies and procedures, and referring future SCRA complaints to the Justice Department. Saxon will also repair any negative credit report entries related to the wrongful foreclosures and will not pursue any remaining amounts owing under the mortgages. Saxon now will check the Defense Manpower Data Center's website and its own files prior to conducting any foreclosure, and will not foreclose in violation of the SCRA if the borrower is in military service or is otherwise protected by the SCRA.

The division's SCRA investigations have resulted in litigation or settlements enforcing SCRA's provisions for termination of residential lease agreements, protection against enforcement of storage liens on towed vehicles without court orders, reduction of interest rates to six percent on credit obligations, and a prohibition against paying pre-payment penalties on mortgage loans when a servicemember must move for military service.

President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes. For more information on the task force, visit www.StopFraud.gov.

Servicemembers and their dependents who believe that their SCRA rights have been violated should contact the nearest Armed Forces Legal Assistance Program office. Please consult the military legal assistance office locator at <http://legalassistance.law.af.mil> and click on the Legal Services Locator. Additional information about the Justice Department's enforcement of the SCRA and the other laws protecting servicemembers is available at www.servicemembers.gov. Servicemembers who believe they may have been victims, can contact the banks directly at 1-800-896-7743, mailbox 6 for Countrywide or 1-800-896-7743, mailbox 995 for Saxon.

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