

Two Countrywide mortgage servicing companies have agreed to pay \$108 million to settle Federal Trade Commission ("FTC") charges that they collected excessive fees from homeowners whose loans Countrywide serviced. The \$108 million settlement represents one of the largest judgments imposed in an FTC case. The funds will be used to reimburse homeowners who were overcharged when their home loans were serviced by Countrywide.

Mortgage servicers are responsible for the day-to-day management of homeowners' mortgage loans, including collecting and crediting monthly mortgage payments. According to the FTC, Countrywide acted deceptively by requiring homeowners to pay inflated fees that could add up to hundreds or thousands of dollars. When homeowners fell behind on their mortgage payments and were in default, Countrywide ordered property inspections, lawn care, and other services designed to protect the lender's interest in the property. However, instead of simply hiring third-party vendors to perform the services, Countrywide created subsidiaries to hire the vendors. The Countrywide subsidiaries then marked up the price of the services charged by the vendors, sometimes by as much as 100% or more, and then charged the homeowners the marked-up fees.

Under most mortgage agreements, homeowners are required to pay for necessary default-related services. However, mortgage servicers are not permitted to mark up the cost to make a profit or charge homeowners for services that are not reasonable or appropriate to protect the mortgage lender's interest in the property. The FTC also charged Countrywide with making false or unsupported claims to borrowers about amounts owed and the status of their loans. Additionally, the FTC accused Countrywide of failing to tell borrowers in bankruptcy when new fees and escrow charges were being added to their loan accounts and of trying to unfairly collect those amounts after borrowers' bankruptcy cases were closed and the borrowers no longer had Bankruptcy Court protection.

The FTC settlement requires Countrywide to pay \$108 million to homeowners overcharged by Countrywide before July 2008. The agreement also permanently bars Countrywide from engaging in specified deceptive acts and requires changes to Countrywide servicing practices. Additional information about the case and the refund program can be found at **www.ftc.gov/countrywide**.