



Office of WV Attorney General Darrell McGraw **MORTGAGE FORECLOSURE SETTLEMENT**

BACKGROUND

Attorney General Darrell McGraw's Extensive Record of Fighting Financial Fraud on Behalf of the State's Consumers

The \$33.8 million in homeowner relief provided by the foreclosure settlement marks the latest achievement in longstanding efforts by Office of West Virginia Attorney General Darrell McGraw to protect the state's consumers against financial fraud and mortgage abuses, efforts that recovered millions of dollars and yielded hard-fought financial protections for the state and its citizens.

Below is a small sample of the actions that Attorney General McGraw has taken on behalf of the financial well-being of the state's consumers.

Mortgage and Foreclosure Abuse

Last year alone, Attorney General McGraw's Office recovered over \$2.1 million in mortgage relief and debt cancellation to help keep West Virginians in their homes. The Attorney General has always been ahead of the curve when it comes to protection against mortgage loan abuses.

Back in 2005, the AG's Office entered into landmark settlements with two subprime mortgage servicers, Fairbanks Capital Corp. and Homecomings Financial Network (now a subsidiary of GMAC/Ally Financial) whose policies regularly prevented homeowners from getting current on their accounts. Together the settlements netted nearly \$12 million in canceled debts, restitution, and refunds for over 2500 West Virginia consumers, including 267 families that lost their homes through questionable foreclosures.

In 2008, during the depths of the mortgage meltdown, the settlement of a lawsuit filed in response to subprime mortgage abuses by Countrywide Financial (now part of Bank of America) generated over \$9.3 million for loan modifications and foreclosure relief for the state's homeowners.

Banks and Credit Cards

Fly-by-night loan companies don't have a monopoly on the use of unfair, deceptive and aggressive tactics. In January 2012, McGraw reached a \$13.5 million settlement with credit card behemoth Capitol One that resolved charges of deceptive marketing and sales of payment protection and credit recovery services from 2001 through 2005. The agreement forgives \$3 million in consumer debts and includes \$10.5 million for financial relief, education, and restitution.

The AG's Office recently filed a lawsuit on behalf of consumers against GE Money Bank for "slamming" customers with hidden terms of agreement and brought similar complaints for deceptive acts in the sale, marketing and administration of fee-based services against JP Morgan Chase, Bank of America, Barclays, World Financial, Citi, Discover, First Premier and HSBC.

Debt Relief Scams

The WV Attorney General's Office has taken action to combat debt settlement companies which advise consumers to stop paying their credit card bills and to instead pay usurious up-front and recurring fees to the debt relief companies, who falsely claim to negotiate lump sum settlements with creditors. Debt

settlement is at best a risky solution that frequently strands consumers in worse financial straits and no meaningful debt relief. Additionally, many are not registered and bonded in WV, engage in the unauthorized practice of law, and misrepresent their services to consumers.

Last year, the Attorney General reached settlements with debt relief companies resulting in refunds of more than \$121,000 for 173 West Virginia consumers. In the case of Morgan Drexen, McGraw sued California and Nevada debt-collectors who attempted to “rent” three West Virginia lawyers in an attempt to bypass state laws. Since 2005, efforts by the Attorney General’s Office have resulted in \$2.2 million in refunds to over 4,200 consumers from debt relief companies.

Internet Payday Lending

“Internet payday loans” – short-term loans or cash advances with exorbitant terms that are obtained via interactive websites – are illegal in West Virginia. That hasn’t prevented payday lenders from employing deceptive devices to entrap the state’s consumers in “debt spirals” and exorbitant interest rates.

Attorney General McGraw’s Consumer Protection Division began investigating the Internet payday lending industry in 2005 after receiving numerous complaints from victims of loans with annual interest rates of 780% or more. Recent cases against payday lenders include settlements with Government Employees Credit Center (GECC) and PD Recovery, a subsidiary of Dollar Financial Group, which resulted in more than \$300,000 in cancelled debts and refunds of interest charges for West Virginia consumers.

To date, the WV Attorney General’s Office has completed settlements with 114 Internet lenders and their collection agencies, yielding over \$2.8 million in refunds and cancelled debts for 8,499 consumers.

Collection Agencies

Attorney General McGraw has targeted PD Recovery, Northtown, Interstate, and other collection firms that have attempted to operate in West Virginia without a license, often seeking to collect debts allegedly owed to *out-of-state* Internet payday lenders. In a 2008 settlement with Cash Call, a California-based Internet lender that had become well known through TV ads that featured the late former child actor Gary Coleman, the company agreed to cease harassing tactics and pay \$1 million in civil penalties and legal expenses to resolve allegations of abusive language and threats of police action in its collection of customers' debts.

In February 2010, the Attorney General’s Office reached a settlement that recovered \$404,000 for 446 WV consumers from three out-of-state collection agencies – Allied (MN), Jefferson (MN), and WWKA (GA) – cited for unfair and deceptive practices.

Last fall, Attorney General McGraw’s action against Cavalry, a New York-based debt buyer, halted all wage garnishment, property liens, and debt collections stemming from illegal collection lawsuits against West Virginia consumers while the company was unlicensed in the state. In another case from 2011, Attorney General McGraw filed suit against Fast Auto Loans, a Virginia title lender, for selling illegal “title loans,” high-interest loans secured by the ownership titles for motor vehicles. When consumers default on title loans, they lose possession of their vehicles to the lender regardless of the amount owed or the value of the vehicle.

~ ~ ~

Our state's laws regarding credit and finance are intended to protect both the industry and consumers. The Office of Attorney General McGraw will continue its rigorous enforcement of these laws to ensure a level playing field for all legitimate companies in West Virginia and keep our citizens safe from unlawful and deceptive practices. □