

## **28 Million Reasons Why You Should Consider Global Debt Registry for your business**

### **Bear Stearns and EMC Mortgage to Pay \$28 Million to Settle FTC Charges of Unlawful Mortgage Servicing and Debt Collection Practices. September 09, 2008**

The Bear Stearns Companies, LLC and its subsidiary, EMC Mortgage Corporation, have agreed to pay \$28 million to settle Federal Trade Commission charges that they engaged in unlawful practices in servicing consumers' home mortgage loans. The companies allegedly misrepresented the amounts borrowers owed, charged unauthorized fees, such as late fees, property inspection fees, and loan modification fees, and engaged in unlawful and abusive collection practices. **Under the proposed settlement they will stop the alleged illegal practices and institute a data integrity program to ensure the accuracy and completeness of consumers' loan information.**

**In the past 12 weeks the FTC has levied or sought fines in excess of \$ 225  
Million Dollars from two participants in our industry.**

**Global Debt Registry invites you to call today to discuss the markets only  
comprehensive turn-key solution for this action!**

**“Business as usual” and “It will never happen to us” is not a viable  
strategy. The reality is the entire Financial Services Industry has been put  
on notice and will face heightened scrutiny from the FTC as a result of  
these investigations and settlements.**

**If the FTC showed up today to audit your recovery, debt sales, and media  
fulfillment processes would you and your organization pass the audit? Do  
you have a comprehensive data integrity and data security program in  
place to protect your organization, its customers, and your clients?**

**By their own admission, the FTC is just getting started.**

**Could any of the below charges be brought against you and your  
organization today? See the Attached FTC Complaint!**

**Global Debt Registry doesn't want you and your organization to be the next  
headline.**

## **Global Debt Registry Has the Solution.....**

Global Debt Registry is the only company operating on a global basis and in the ARM industry today that offers a comprehensive data integrity and security program in addition to a chain of title (ownership verification), and turn-key media management solution.

**For Release:** September 9, 2008

### **Bear Stearns and EMC Mortgage to Pay \$28 Million to Settle FTC Charges of Unlawful Mortgage Servicing and Debt Collection Practices**

The Bear Stearns Companies, LLC and its subsidiary, EMC Mortgage Corporation, have agreed to pay \$28 million to settle Federal Trade Commission charges that they engaged in unlawful practices in servicing consumers' home mortgage loans. The companies allegedly misrepresented the amounts borrowers owed, charged unauthorized fees, such as late fees, property inspection fees, and loan modification fees, and engaged in unlawful and abusive collection practices. Under the proposed settlement they will stop the alleged illegal practices and institute a data integrity program to ensure the accuracy and completeness of consumers' loan information.

"Like other companies that send a bill, mortgage servicers must make sure that the amount they say is due really is the amount due," said Lydia B. Parnes, Director of the FTC's Bureau of Consumer Protection. "Consumers have the right to expect accuracy from the company that collects their mortgage payments."

As stated in the FTC's complaint, Bear Stearns and EMC have played a prominent role in the secondary market for residential mortgage loans. During the explosive growth of the mortgage industry in recent years, they acquired and securitized loans at a rapid pace, but they allegedly paid inadequate attention to the integrity of consumers' loan information and to sound servicing practices. As a result, in servicing consumers' loans, they neglected to obtain timely and accurate information on consumers' loans, made inaccurate claims to consumers, and engaged in unlawful collection and servicing practices. These practices occurred prior to JP Morgan Chase & Co.'s acquisition of Bear Stearns, which became effective on May 30, 2008.

According to the complaint, EMC is the mortgage servicer for many of the loans Bear Stearns and EMC acquired. Many of these loans are subprime or "Alt-A" (less than prime) loans, including nontraditional mortgages such as pay option adjustable rate mortgages ("pick-a-payment" loans), interest-only mortgages, negative amortization loans, and loans made with little or no income or asset documentation. EMC's loan servicing portfolio has grown significantly in recent years; as of September 2007, it serviced more than 475,000 mortgage loans with a total unpaid balance of about \$80 billion.

## THE FTC COMPLAINT

The complaint charges Bear Stearns and EMC with violating the FTC Act, the Fair Debt Collection Practices Act (FDCPA), the Fair Credit Reporting Act (FCRA), and the Truth in Lending Act's (TILA) Regulation Z.

**FTC Act Violations:** The defendants are charged with unfair and deceptive loan servicing practices in violation of the FTC Act. They allegedly misrepresented the amounts consumers owed; assessed and collected unauthorized fees, such as late fees, property inspection fees, and loan modification fees; and misrepresented that they possessed and relied upon a reasonable basis for their representations about consumers' loans.

**Fair Debt Collection Practices Act Violations:** The defendants allegedly violated several provisions of the FDCPA in collecting loans that were in default when they obtained them. They also allegedly made harassing collection calls; falsely represented the character, amount, or legal status of consumers' debts; and failed to communicate that debts were disputed. In addition, they allegedly used false representations or deceptive means to collect, and failed to send consumers a validation notice containing the amount of the debt and the consumer's right to dispute the debt and obtain verification of the debt.

**Fair Credit Reporting Act Violations:** The FTC alleges that the defendants furnished information about consumers' payment status to credit reporting agencies (CRAs). When consumers informed the defendants that they disputed the completeness or accuracy of the reported information, the defendants failed to report the dispute to the CRAs as required by the FCRA.

**Truth in Lending Act's Regulation Z Violations:** The complaint also states that the defendants charged borrowers a loan modification fee, typically \$500, and automatically added the fee to the modified loan's principal balance. In doing so, the defendants failed to provide the borrowers with required TILA disclosures.

## THE SETTLEMENT

The proposed settlement requires Bear Stearns and EMC to pay \$28 million to redress consumers who have been injured by the illegal practices alleged in the complaint. In addition, the settlement bars the defendants from future law violations and imposes new restrictions and requirements on their business practices. Specifically, the settlement:

- bars the defendants from misrepresenting amounts due and any other loan terms; **GDR Solves!**
- requires them to possess and rely upon competent and reliable evidence to support claims made to consumers about their loans; **GDR Solves!**
- bars them from charging unauthorized fees, and places specific limits on property inspection fees even if they are authorized by the contract; **GDR Solves!**
- prohibits them from initiating a foreclosure action, or charging any foreclosure fees, unless they have reviewed all available records to verify that the consumer is in material default, confirmed that the defendants have not subjected the consumer to any illegal practices, and investigated and resolved any consumer disputes; **GDR Solves!**
- prohibits the defendants from violating the FDCPA, FCRA, and TILA. **GDR Solves!**

The proposed settlement further requires Bear Stearns and EMC to establish and maintain a comprehensive **data integrity program** to ensure the accuracy and completeness of data and other information that they obtain about consumers' loan accounts, **before** servicing those accounts. The defendants must obtain an assessment from a qualified, independent, third-party professional within six months and then every two

years, for the next eight years, to assure that their data integrity program meets the standards of the order.  
**GDR Solves!**

The proposed settlement also contains record-keeping and reporting provisions to allow the FTC to monitor compliance with the order. **GDR Solves!**

The Commission vote to authorize staff to file the complaint and proposed stipulated final order was 4-0. The documents were filed in the U.S. District Court for the Eastern District of Texas.

Including the case announced today, the Commission has brought 23 actions in the past decade alleging deceptive or unfair practices by mortgage brokers, lenders, and servicers. Several of these landmark cases have resulted in large monetary judgments that have returned more than \$320 million to consumers.

**CONSUMER HOTLINE:** If the court approves the settlement, consumers who are eligible for redress will be contacted by mail. The Commission's consumer hotline regarding the settlement is 1-877-787-3941. Consumers who have changed their address recently may provide updated contact information by calling the hotline. Consumers also can find information about the settlement on the FTC's Web site at <http://www.ftc.gov>.

**NOTE:** The Commission files a complaint when it has "reason to believe" that the law has been or is being violated, and it appears to the Commission that a proceeding is in the public interest. The complaint is not a finding or ruling that the defendants have actually violated the law. The stipulated final order is for settlement purposes only and does not constitute an admission by the defendants of a law violation. A stipulated final order requires approval by the court and has the force of law when signed by the judge.

The Federal Trade Commission works for consumers to prevent fraudulent, deceptive, and unfair business practices and to provide information to help spot, stop, and avoid them. To file a complaint in English or Spanish, visit the FTC's online [Complaint Assistant](#) or call 1-877-FTC-HELP (1-877-382-4357). The FTC enters complaints into Consumer Sentinel, a secure, online database available to more than 1,500 civil and criminal law enforcement agencies in the U.S. and abroad. The FTC's Web site provides free information on a variety of [consumer topics](#).

**MEDIA CONTACT:** Frank Dorman, *Office of Public Affairs*, 202-326-2674

**STAFF CONTACT:** Lucy Morris, *Bureau of Consumer Protection*, 202-326-3224

(FTC File No.0623031)  
(EMC)

**Federal Trade Commission, Plaintiff, v. EMC  
Mortgage Company, a Delaware corporation, and  
The Bear Stearns Companies LLC, a Delaware  
limited liability company, Defendants  
(United States District Court for the Eastern District  
of Texas)**

**Civil Action No.: 4:08-cv-338;  
FTC File No.: 062 3031**

## About Global Debt Registry

Global Debt Registry is a cutting-edge data integrity management, chain of title (ownership verification) and turn-key media management system designed by industry professionals. The primary purpose of the registry is to maintain and establish accurate ownership of accounts which allows for delivery of requested media directly to downstream buyers and servicers in the Performing and Non-Performing debt market.

Our goal is to bring the quality and security of an issuer-direct debt sale to the resale market by maintaining a clean [Account-Level Chain of Title](#), validating Issuer-level account data, and providing direct access to account media.

With the launch of Global Debt Registry, not only can true ownership be established, but we also verify key account information resulting in the ability to fulfill validation requests with detailed and accurate account data. Additionally, Global Debt Registry also provides secure media delivery services from originators to downstream owners/servicers no matter how long the chain of ownership.

Once a portfolio has been registered with Global Debt Registry, we will provide you with an authentic [Transfer of Ownership](#) certificate. Resulting in:

- A Comprehensive Data Integrity Management Program
- Enhanced Consumer Post Charge-Off Experience
- A Self-Regulatory Solution that Appeals to Local, State and Federal Regulators
- Verified and Authenticated Access to Media on Purchased Accounts
- Increased Portfolio Value
- Reduced Portfolio Servicing Costs
- Increased Portfolio Life-cycle Value
- Reduced Transaction Risk
- Enhanced Creditor and Industry Reputation
- Establish an Industry Wide Portfolio Acquisition Settlement Standard
- FCRA Reporting Compliance Assistance
- 1099 Reporting Assistance
- Ensure Verified Disputed, Bankruptcies, Deceased, ID Theft, (etc...are not resold)
- Assist with Immediate Recall of VIP or Legal Recalls (GPS on the account at the account level)
- Inject One of the Highest Data Security Compliance Requirements into the Sales and Post Sale Support Process
- Establish an Industry Wide Ownership Verification and Transfer Process, Data Validation and Turnkey Media Management Solution.

### **Request a Portfolio Certification and History Report, Today!**

- Internet based – Universal Debt Registration System
- Securely Sign, Manage, and Transmit Critical Documents and Data
- Legally Enforceable Digital Signatures
- Easy to Use
- Cost Effective

## **Global Debt Registry Benefits**

- Lift on Organizations Brand
- AR managers can locate accounts or monitor sales
- Creates Market Differentiator (Registered or Not)
- Answers Federal & State Regulators and Consumer Advocate Concerns
- Reduce Portfolio Acquisition Risks
- Lower Barrier to Entry for Investment
- Increased Portfolio Lifecycle Value
- Secure by Default
- Stops Fraud and Double Sales
- Maintains Integrity of Account Data
- Account Level Digitally Certified Chain of Title
- Ability to Provide Media in as little as 24 hours to Downstream Buyers
- Increases Transactional Transparency

Please feel free to call 866 660 2341 today for more information on how Global Debt Registry can ensure your organization meets and exceeds the current regulatory requirements while protecting your organization, clients, and the consumer.

Or visit our website @ [www.globaldebtregistry.com](http://www.globaldebtregistry.com)