

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION
DIVISION OF BANKING

IN THE MATTER OF:)
)
) 2011-MBR-16-b
PHH Mortgage Corporation)
1 Mortgage Way)
Mount Laurel, NJ 08054)

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between the Illinois Department of Financial and Professional Regulation, Division of Banking (“Department”) and PHH Mortgage Corporation (“PHH”) for purposes of settlement.

WHEREAS, the Department is charged under the Residential Mortgage License Act of 1987 (“RMLA” or “Act”) [205 ILCS 635] and the rules promulgated thereunder (“RMLA Rules”) [38 Ill. Adm. Code 1050], with responsibilities for licensing and regulating mortgage companies that service Illinois residential mortgage loans;

WHEREAS, the Department’s mission is to ensure that consumers are protected at all times as to the proper conduct by Illinois residential mortgage licensees of servicing activities, including those activities performed by third-party vendors on their behalf, and that such third-party vendor services are properly supervised and conducted;

WHEREAS, PHH services Illinois residential mortgage loans under License number MB.0000443-DBA1;

WHEREAS, the Department opened a special review of servicing and foreclosure activities performed by licensed entities commencing in fall 2010 due to newspaper reports and consumer complaints of alleged “robo signing” activities and other irregularities in servicing and foreclosure procedures;

WHEREAS, on November 12, 2010, PHH advised the Department that the law firm of Fisher and Shapiro (“Law Firm”) had informed PHH that Law Firm employees had updated information in affidavits without submitting them for re-execution by the affiant.

WHEREAS, during the course of reviewing these practices, the Department became aware of General Administrative Order No. 2011-01 (“GAO”) entered in the Circuit Court of Cook County, Illinois, County Department, Chancery Division;

WHEREAS, the GAO states that representatives from the Law Firm, an approved Fannie Mae foreclosure firm, reported to the Court that affidavits filed in pending mortgage foreclosure cases filed by the Law Firm were altered without the affiant’s

knowledge. The GAO further notes that “the affidavits were altered in such a way that included changing the content of the original affidavit by removing the signature page and reattaching the signature page by the affiant to the altered content. The alteration of the contents in the affidavits included, but were not limited to, adding attorney’s fees and costs, adding in insurance costs, inspection costs, preservation costs, and/or taxes incurred on the property...;”

WHEREAS, the Department’s review of the GAO and affidavit documents resulted in issuance of Order No. 2011-MBR-16 (“Order”) and fine against PHH, including findings by the Department that nineteen (19) affidavits identified in the attachment to the GAO had been altered as described above by the Law Firm and that some signatures on said affidavits did not appear to be signed by the same person;

WHEREAS, in its response to the Order, PHH demonstrated that the signatures were from the same individual;

WHEREAS, the Department does not allege that any information contained in the affidavits was incorrect;

WHEREAS, PHH holds an attorney-client relationship with the Law Firm and a contractual relationship with LOGS which coordinated certain documentation in connection with foreclosure actions, including completion and execution of affidavits prepared by the Law Firm in support of the same on behalf of PHH;

WHEREAS, PHH requested an administrative hearing in response to the Order;

WHEREAS, PHH is committed to enhanced quality control and management in areas of servicing Illinois residential mortgage loans, including third-party vendor services; and

WHEREAS, PHH has fully cooperated with the Department in connection with its investigation of compliance with the RMLA and RMLA Rules and the Special Examination;

NOW, THEREFORE, in consideration of the foregoing facts, and other good and valuable consideration, the parties agree to address the following issues as described below:

- A. PHH has submitted, and the Department has approved: 1) PHH’s policy on affidavit review, 2) PHH’s procedures for contracting and managing third-party vendor services, including performance standards, and 3) PHH’s training procedures and usage policy for individuals (including employees of third-party vendors) that access PHH’s internal servicing database in connection with the preparation and filing of foreclosure affidavits. The Department and PHH further agree that PHH shall provide current information regarding PHH’s list of third-party vendors providing foreclosure services, including any reasons for cancelling non-attorney third-party vendor contracts.

- B. Upon executing this Settlement Agreement PHH will cause the Law Firm and LOGS to make a payment on its behalf in the amount of \$150,000.00 to the Department to be used to further the Department's supervision and compliance efforts. Nothing in this Settlement Agreement constitutes an agreement by the Department to forbear undertaking any examination, investigation, enforcement or other activity authorized by the RMLA or RMLA Rules unrelated to the issues addressed in the Order and the ongoing Special Examination of PHH, including, but not limited to, any multi-state and/or multi-agency activities.
- C. This Settlement Agreement constitutes the resolution and settlement of the Order, any issues relating to the conduct of the Law Firm, and the ongoing Special Examination of PHH and PHH agrees to not file any petition for administrative or judicial hearing or review of the Order or of this Settlement Agreement. PHH acknowledges that it has been represented by legal counsel in negotiating this Settlement Agreement, and that it willingly enters into this Settlement Agreement after full review, evaluation, and consideration and with full knowledge of its rights under the RMLA, RMLA Rules, and Illinois Administrative Procedure Act [5 ILCS 100].
- D. This Settlement Agreement does not constitute an admission by PHH of any findings in the Order, and PHH has demonstrated that the signatures were from the same individual.
- E. It is the intent of this Settlement Agreement to ensure the safety and soundness of practices and compliance with all laws and regulations as contemplated within Sections 4-1(h-1) and 4-5(a)(1) of the RMLA.
- F. This Settlement Agreement shall be posted on the Department's website.

Acceptance

This Settlement Agreement is being executed and shall become effective upon the parties and their successors by written consent provided here below effective on the last date executed. The undersigned representatives of PHH affirm that they have full authority to enter into and bind PHH to the terms and conditions of this Settlement Agreement. This Settlement Agreement may only be amended upon written mutual consent of all the parties or their successors.

The foregoing Settlement Agreement is approved in full.

By:

_____ Date: _____
PHH MORTGAGE CORPORATION
MADELINE FLANAGAN, VICE PRESIDENT AND GENERAL COUNSEL

ILLINOIS DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION
BRENT E. ADAMS, SECRETARY

By:

_____ Date: **MARCH 29, 2012**
DIVISION OF BANKING
MANUEL FLORES, DIRECTOR