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MADIGAN: \$120 MILLION NATIONAL SETTLEMENT REACHED OVER FAULTY FORECLOSURE PRACTICES

States Announce Settlement with Lender Processing Services Over "Robo-signing" & Other Faulty Practices Against Homeowners in Foreclosure

Chicago — Attorney General Lisa Madigan today joined with 45 of her counterparts to announce a \$120 million settlement with Lender Processing Services Inc. (LPS) over allegations that the Florida firm engaged in pervasive "robo-signing" of foreclosure documents and other faulty servicing practices while servicing loans of struggling homeowners.

Madigan and the attorneys general reached the settlement after an investigation into the Jacksonville, Fla.-based firm and its subsidiaries – LPS Default Solutions and DocX, all of which primarily provide support to banks and mortgage loan servicers.

The attorneys general allege LPS and its subsidiaries engaged in widespread "robo-signing," of foreclosure documents and other fraudulent handling of foreclosure proceedings against homeowners. The states' investigation revealed a practice by DocX of so-called "surrogate signing," or the signing of documents by an unauthorized person in the name of another and notarizing those documents as if they had been signed by the proper person, in addition to other fraudulent practices during foreclosure filings.

"Today we've taken another step forward to hold accountable the many players in the marketplace who contributed to the foreclosure crisis," Madigan said. "LPS and its subsidiaries became a sort of document factory, literally rubber stamping thousands of foreclosures with no regard for fairness and accuracy in the process."

A lawsuit and proposed consent judgment was filed in Cook County Circuit Court that requires LPS and its subsidiaries to reform business practices and, if necessary, correct faulty documents it filed in homeowner foreclosure proceedings. Illinois' share of the settlement is more than \$4 million.

The settlement will prohibit LPS from signing off on foreclosure documents with signatures of unauthorized people or people without firsthand knowledge of facts attested to in the documents. The agreement will also require LPS implement enhanced oversight and review all third-party fees to ensure the fees have been earned and are reasonable and accurate.

The settlement also will:

- Prohibit LPS and its subsidiaries from engaging in the practice of surrogate signing of documents;
- Ensure LPS has proper authority to sign documents on behalf of a servicer;
- Require LPS to accurately identify the authority that the signer has to execute the document and where that signer works;
- Prohibit LPS from notarizing documents outside the presence of a notary and ensure that notarizations will comply with applicable laws;
- Prohibit LPS from improperly interfering with the attorney-client relationship between attorneys and servicers;
- Prohibit LPS from incentivizing or promoting attorney speed or volume to the detriment of accuracy;
- Require LPS ensure that foreclosure and bankruptcy counsel or trustees can communicate directly with the servicer;
- Require LPS to implement enhanced oversight and review of processes over third parties it manages, including entities that perform property preservation services;
- Prohibit LPS from imposing unreasonable mark-ups or other fees on third party providers' default or foreclosure-related services;
- Require LPS to establish and maintain a toll-free phone number for consumers concerning document execution and property preservation services (including winterization, inspection, preservation, and maintenance); and

- Require LPS to modify mortgage documents that require remediation when LPS has legal authority to do so and when reasonably necessary to assist a consumer or when required by state or local laws.

Once the judgment is entered by the court, LPS must review documents that were executed between Jan. 1, 2008 through Dec. 31, 2010, to identify documents that need to be corrected. Any corrections required of LPS will be reported to the attorneys general.

Joining Madigan in today's announcement were attorneys general from: Alabama, Alaska, Arizona, Arkansas, California, Connecticut, Florida, Georgia, Hawaii, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Minnesota, Mississippi, Montana, Nebraska, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming and the District of Columbia.

Assistant Attorneys General Vaishali Rao and Andrew Dougherty handled the case for Madigan's Consumer Fraud Bureau.

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