

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

<p>S&amp;A CAPITAL PARTNERS, INC., MORTGAGE RESOLUTION SERVICING, LLC; and 1ST FIDELITY LOAN SERVICING, LLC,</p> <p style="text-align: center;">Plaintiffs</p> <p>v.</p> <p>JPMORGAN CHASE BANK, N.A., JP MORGAN CHASE &amp; COMPANY, and CHASE HOME FINANCE LLC</p> <p style="text-align: center;">Defendants.</p>	<p>No. 1 :15-cv-00293-LTS-JCF</p> <p style="text-align: center;"><b><u>FOURTH AMENDED COMPLAINT</u></b></p> <p style="text-align: center;"><b><u>JURY TRIAL DEMANDED</u></b></p>
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Plaintiffs S&A Capital Partners, Inc. ("S&A"), Mortgage Resolution Servicing, LLC ("MRS"), and 1st Fidelity Loan Servicing, LLC ("1st Fidelity")(together, the "Plaintiffs"), for their fourth amended complaint against JPMorgan Chase Bank, N.A., JPMorgan Chase & Company, and Chase Home Finance LLC (together "Chase" or the "Defendants"), allege as follows:

**NATURE OF THIS ACTION**

This action arises out of the Defendants failure to service loans in a manner consistent with its legal obligations under: i) the Real Estate Settlement Procedures Act (RESPA – particularly Title X); ii) the Truth in Lending Act (TILA); iii) the Federal Trade Commission Act (FTC); iv) The Fair Debt Collection Practices Act (FDCPA); v) The Dodd Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank); vi) the Equal Credit Opportunity Act (ECO); vii) the Fair Housing Act (FHA); and viii) all other applicable state and federal usury, consumer credit

protection and privacy, predatory and abusive lending laws (collectively “the Acts”). Rather than comply with the costly and time consuming legal obligations Defendants faced under the Acts, Defendants warehoused said loans in a database of charged-off loans known as RCV1 and intentionally and recklessly sold these liabilities to unaware buyers such as the Plaintiffs. To accomplish the transfer of these obligations Defendants:

- (i) Intentionally prevented Plaintiffs from conducting normal and customary due diligence by failing to provide the required information and by constantly changing the terms of the transaction, including after consummation.
- (ii) Fraudulently induced Plaintiffs to sign a Mortgage Loan Purchase Agreement (“MLPA”) without conducting appropriate due diligence by appealing to the longstanding relationship between Plaintiffs and Defendants; promising Plaintiffs that the required data was available; and by promising to provide such data as they had in the past and according to an existing Master Mortgage Loan Sale Agreement (“MMLSA”) between Plaintiffs and Defendants.
- (iii) Negligently misrepresented to the Plaintiffs the quality and character of the loans.
- (iv) Knowingly breached every representation they made in the MLPA, including failing to legally transfer 3,529 closed-end 1<sup>st</sup> lien mortgages worth \$156,324,399.24 to the Plaintiffs, and to provide Plaintiffs with the information required by both RESPA and the MMLSA so that Plaintiffs could legally service said loans.
- (v) Took numerous actions post-facto that tortiously interfered with Plaintiffs’ relationships with borrowers including illegally sending borrowers debt forgiveness letters and releasing liens. These actions not only resulted in specific damage to said

lien's value, it caused Plaintiffs reputational harm with borrowers, loan sellers, investors, lenders and regulators.

- (vi) Created a "racketeering enterprise" whose purpose was to evade legal duties owed to borrowers, regulators and Plaintiffs, among others, to appropriately service federally regulated mortgage loans.

### **THE PARTIES**

#### **Plaintiffs:**

1. S&A is a Florida corporation located at 6810 N. State Rd. 7, Coconut Creek, Florida 33073, whose President is Laurence Schneider. S&A has been acquiring mortgage loans and pools of loans from numerous lenders, servicers and mortgage insurance companies since 2005. From 2005-2010, S&A purchased approximately 650 first lien and second lien residential mortgage loans from the Defendants.

2. MRS is a Florida limited liability company located at 6810 N. State Road 7, Coconut Creek, Florida 33073, whose managing member is Real Estate and Finance, Inc., a Florida corporation whose President is Laurence Schneider. On February 25, 2009, MRS entered into a purchase agreement to purchase a pool of 3,529 first lien residential mortgage loans from the Defendants and paid full consideration for the loans.

3. 1st Fidelity is a Florida limited liability company located at 6810 N. State Rd. 7, Coconut Creek, Florida 33073, whose managing member is Real Estate and Finance, Inc., a Florida corporation whose President is Laurence Schneider. 1<sup>st</sup> Fidelity has been acquiring mortgage loans and pools of loans from numerous lenders, servicers and mortgage insurance companies since 2008. From 2008 to 2010, 1st Fidelity purchased approximately 350 first lien and second lien residential mortgage loans from the Defendants.

**Defendants:**

4. JPMorgan Chase Bank, N.A. (the "Bank") is a national banking association and a wholly-owned subsidiary of JPMorgan Chase & Company. The Bank's principal place of business is at 270 Park Avenue, New York, New York. On September 25, 2008, the Bank purchased substantially all of the assets and assumed substantially all of the liabilities of Washington Mutual Bank, F.S.B. pursuant to a Purchase and Assumption Agreement with the Federal Deposit Insurance Corporation (FDIC) as Receiver for Washington Mutual Bank, F.S.B.

5. JPMorgan Chase & Company ("Chase") is a Delaware corporation with its principal place of business at 270 Park Avenue, New York, New York. In July 2004, Chase merged with Bank One. One or more of the Plaintiffs acquired from Chase residential mortgage loans that Chase had acquired from Bank One loans. As owner of the loans sold to the Plaintiffs, Chase is liable for all of the damages sought herein.

6. Chase Home Finance, LLC was a Delaware limited liability company that offered mortgage and loan services, with its principal place of business at 343 Thornall Street, Edison, New Jersey 08837. Prior to May 1, 2011, Chase was qualified to do business in New Jersey. Effective May 1, 2011, Chase merged into the Bank which now owns and services the residential mortgage loans previously owned by Chase. The Bank stands in the shoes of Chase and is liable for all of the damages sought herein.

**JURISDICTION AND VENUE**

7. This Court has federal question jurisdiction pursuant to 28 U.S.C. § 1331 with respect to the Racketeer Influenced Corrupt Organizations Act ("RICO"), 18 U.S.C. § 1964(c); diversity jurisdiction with respect to all of the claims pursuant to 28 U.S.C. § 1332; and supplemental jurisdiction of the state law claims under 28 U.S.C. § 1367(a).

8. This Court has personal jurisdiction over the Defendants pursuant to New York C.P.L.R. §§ 301 and 302 because the Defendants are registered to do business in the State of New York and regularly conduct business in the State of New York, including in this District, and because a substantial part of the events or omissions giving rise to the Plaintiffs' claims occurred in this District.

9. Venue is proper under 28 U.S.C. § 1391(b) and (c) because two of the Defendants maintain their principal place of business in the Southern District of New York.

10. The MLPA has a New York forum selection clause, which the Court noted in its Order on Defendant's Motion to Transfer (DE 75, 87), "is a significant factor disfavoring transfer of this action. See *Atlantic Marine Const. Co., Inc. v. U.S. District Court for the Western Dist. of Tx.*, 134 S.Ct. 568, 582 (2013) ('[F]orum selection clauses should control except in unusual cases.')." See Exhibit 4.

### **ALLEGATIONS COMMON TO ALL CLAIMS**

#### **Legal and Regulatory Duties Related to Mortgage Servicing**

11. According to the Real Estate Settlement Procedures Act ("RESPA"), also known as Regulation X, 12 U.S.C. § 2601 *et seq.*, a "federally related mortgage loan" means any loan that is secured by a first or subordinate lien on residential real property, including a refinancing of any secured loan on residential real property, upon which there is either: occupancy of from one to four families, is made in whole or in part by any lender that is either regulated by or whose deposits or accounts are insured by any agency of the Federal Government<sup>1</sup>; is made in whole or in part, or is insured, guaranteed, supplemented, or assisted in any way by the Secretary or any other officer or agency of the Federal Government or under or in connection with a housing or urban

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<sup>1</sup> available at <https://www5.fdic.gov/idasp/advSearchLanding.asp>, and <https://www.chase.com/personal-banking/fdic-coverage>

development program administered by the Secretary or housing or related program administered by any other such officer or agency, or is intended to be sold to Fannie Mae, Ginnie Mae, FHA, or

(iv) is made in whole or in part by any "creditor", as defined in section 1602(f) 1 of Title 15, who makes or invests in residential real estate loans aggregating more than \$1,000,000 per year, except that for the purpose of this chapter, the term "creditor" does not include any agency or instrumentality of any State. 12 U.S.C. § 2602.

12. This includes the Secretary of the Department of Housing and Urban Development (HUD) or any other officer or agency of the Federal Government or in connection with a housing or urban development program administered by the Secretary of HUD or a housing or related program administered by any other officer or agency of the Federal Government.<sup>2</sup>

13. Also according to RESPA, "servicing" means receiving any scheduled periodic payments from a borrower pursuant to the terms of any federally related mortgage loan, including amounts for escrow accounts under section 10 of RESPA (12 U.S.C. § 2609), and making the payments to the owner of the loan or other third parties of principal and interest and such other payments with respect to the amounts received from the borrower as may be required pursuant to the terms of the mortgage servicing loan documents or servicing contract.

14. At all times applicable, Defendants have been subject to the Real Estate Settlement Procedures Act 12 U.S.C. §§2601-2617 (RESPA) as servicers of federally related mortgage loans.

15. At all times applicable, Defendants have been subject to the Truth in Lending Act 15 U.S.C. 1601, (TILA) as servicers of federally related mortgage loans obligated upon a borrower's request to provide the name, address, and telephone number of the owner of the obligation.

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<sup>2</sup> available at <https://www.fdic.gov/regulations/laws/rules/6500-2800.html>

16. At all times applicable, Defendants have been subject to the Federal Trade Commission Act, 15 U.S.C. 41 *et seq* (FTC) as federally regulated and insured institutions prohibiting unethical, unfair and deceptive business practices against consumers.

17. At all times applicable, Defendants have been subject to the Fair Debt Collection Practices Act 15 U.S.C. 1692 (FDCPA), prohibiting the collection of debt not owned, using names other than its own which would indicate that a third person is collecting or attempting to collect such debts, using false, deceptive, or misleading representations of the character, amount, legal status of such debt in connection with the collection of such debt 15 U.S.C. §1692e, prohibiting unfair or unconscionable means to collect under 15 U.S.C. §1692f, failing to validate debt and failing to cease collection of such disputed debt until legal verification is made, unlawfully furnishing deceptive forms under 15 USC 1692j.

18. At all times applicable, Defendants have been subject to the Dodd Frank Wall Street Reform and Consumer Protection Act, 12 U.S.C. §5301 *et seq* (Dodd-Frank), requiring for example, mandatory servicer participation in HAMP, requiring escrow and settlement procedures for people who are in trouble repaying their mortgages, imposing more stringent requirements for risk management and stress testing, requiring banks, lenders, and others, whenever they securitize an asset, to hang on to a portion of the credit risk, requiring further loss mitigation procedures under RESPA, and establishing the Consumer Financial Protection Bureau.

19. At all times applicable, Defendants have been subject to the Equal Credit Opportunity Act, 15 U.S.C. . §1691 *et seq.* (ECOA) prohibiting discrimination/disparate treatment by a lender in any aspect of a credit transaction including failing to provide information or services or providing different information or services regarding any aspect of the lending process, using

different standards to evaluate collateral, treating a borrower differently in servicing a loan or invoking default remedies.

20. At all times applicable, Defendants have been subject to the Fair Housing Act, 42 U.S.C. § 3601 prohibiting discrimination in all aspect of "residential real-estate related transactions".

**RCV1 Evades Regulatory Standards and Servicing Requirements**

21. The damage caused to Plaintiffs arises from Defendants' violations of law whereby Defendants routinely and illicitly sought to avoid costly and time-consuming servicing of federally related mortgage loans. Since 2000, Defendants maintained loans on various mortgage servicing Systems of Records ("SOR") which are required to meet servicing standards and regulatory mandates. However, Defendants installed RCV1, an off-the-books system of records to conduct illicit practices outside the realm of regulation or auditing. Defendants' scheme involves flagging defaulted and problem federally related loans on the legitimate SOR and installing a subsequent process to then identify and transfer the loan records from the legitimate SOR to RCV1. The process could be disguised as a reporting process within the legitimate SOR and the data then loaded to the RCV1 repository on an ongoing basis undetected by federal regulators.

22. Defendants inactivated federally related mortgage loans from their various SORs such as from the Mortgage Servicing Platform ("MSP") and Vendor Lending System ("VLS"). MSP is an SOR that "maintains up to date information... and is used by approximately 75% of the mortgage servicing industry"<sup>3</sup> for first lien mortgages. VLS is used to service home equity lines

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<sup>3</sup> *In the Matter of Residential Mortgage Pleading and Document Irregularities*, Affidavit of Michael R. Zarro Constituting JPMorgan Chase Bank, N.A.'s and Chase Home Finance LLC's prima Facie Showing, available at [http://www.judiciary.state.nj.us/superior/f\\_59553\\_10\\_jp\\_morgan/jp\\_morgan\\_2\\_of\\_21.pdf](http://www.judiciary.state.nj.us/superior/f_59553_10_jp_morgan/jp_morgan_2_of_21.pdf); Exhibits to the Affidavit of Michael R. Zarro, Volume One available at [https://www.judiciary.state.nj.us/superior/f\\_59553\\_10\\_jp\\_morgan/jp\\_morgan\\_1\\_of\\_21.pdf](https://www.judiciary.state.nj.us/superior/f_59553_10_jp_morgan/jp_morgan_1_of_21.pdf)



of credit in accordance with federal regulations. These systems of records allow Chase to ensure servicing guidelines are met by allowing maintenance and data reporting mechanisms within regulatory requirements. Chase houses its Recovery Unit as part of its Operations unit and it is charged with the collection processes for various lines of Defendant-owned debts, including Defendants' automobile financing and credit card debt, which do not have the same regulatory obligations as mortgages.

23. RCV1's design and functionality does not meet any servicing standards or requirements under applicable federal, state, and local laws pertaining to mortgage servicing or consumer protection. Instead, the practices implemented by Defendants on the RCV1 population are focused on debt collection.

24. Defendants seek to maximize revenue through a scheme of flagging, inactivating, and then illicitly housing charged-off problematic residential mortgage loans in the vacuum of RCV1, improperly converting these problematic residential mortgage loans into purely debt collection cases that are akin to bad credit card debt, and recklessly disregarding virtually all servicing obligations in the process. In order to maximize revenue, Defendants used unscrupulous collection methods on homeowners utilizing third-party collection agencies and deceptive sales tactics on unsuspecting note sale investors, all the while applying for governmental credits and feigning compliance with regulatory standards.

25. In short, the RCV1 is where mortgage loans and associated borrowers are intentionally mishandled in such a manner that compliance with any regulatory requirements is impossible. In derogation of the RESPA, which requires mortgage servicers to correct account errors and disclose account information when a borrower sends a written request for information, the information for loans in RCV1 remains uncorrected and is sent as an inventory list from one

collection agency to another, progressively resulting in further degradation of the loan information. In dereliction of various regulations related to loan servicing, loans once in RCV1 are not verified individually and the identity of the true owner of the note per the Truth in Lending Act (TILA) is often concealed. Regulatory controls regarding grace periods, crediting funds properly, charging correct amounts are not followed.

26. More specifically, a borrower sending a qualified written request under Section 6 of RESPA concerning the servicing of his/her loan or request for correction under 12 U.S.C. §2605(e), 12 CFR §1024.35 could not obtain resolution because RCV1 is a repository for housing debt rather than a platform for housing and servicing federally related loans. RCV1 contains no functionalities for accounting nor escrow management in contravention of §10 of RESPA, Regulation X, 12 CFR §1024.34. Borrowers whose loans are housed in RCV1 fail to receive any notices of transfer of loan servicing pursuant to Regulation X, 12 CFR §1024.33(b). Chase's inactivation of these loans in the regulated systems of records has allowed Chase to then make the technical argument that the loans are no longer federally related mortgage loans. In contravention of 12 CFR §1024.39, Chase failed to inform Borrowers whose loans were flagged, inactivated, and housed in RCV1, about the availability of loss mitigation options, and in contravention of 12 CFR §1024.40. Chase also failed to make available to each Borrower personnel assigned to him/her to apprise the Borrower of the actions the Borrower must take, status of any loss mitigation application, circumstances under which property would be referred to foreclosure, or applicable loss mitigation deadlines in careless disregard of any of the loss mitigation procedures under Reg X 12 CFR § 1024.41.

27. Once a loan is placed in RCV1, there is no oversight, and the Recovery Department itself has explicitly stated that Defendants do not provide any loan modification programs to loans

housed in RCV1. Chase habitually “writes off” these problematic mortgage loans, avoiding costs inherent in servicing such as pre-foreclosure loss mitigation processes, foreclosure proceedings, and related property costs associated with acquisition of title. However, RCV1 allows Defendants a back door to continue generating revenue on the debt.

28. Unbeknownst to Plaintiffs and regulatory agencies, Chase has systematically used RCV1 to park flagged loans inactivated in the MSP, VLS, and other customary SORs to (1) eschew Regulatory requirements while publicly assuring compliance, (2) request credits and insurance on the charge-offs., (3) continue collection, and (4) sell-off these problematic loans to unsuspecting investors to maximize profit/side-step liability, all with the end of maximizing profit.

29. The Federal Housing Administration (FHA) found that between 2002 through February 2014, Chase concealed from FHA that the loans did not meet underwriting requirements, Chase stopped self-reporting on such FHA-insured loans to HUD. Chase then made insurance claims on those defaulted loans. That sole misconduct has been settled.<sup>4</sup>

#### **Specifics of Defendants’ RICO Scheme and Conduct**

30. Since at least 2000, Defendants evaded their legal obligations and liabilities with respect to the proper servicing of federally related mortgages, causing Plaintiffs damage through Defendants’ misconduct from their scheme to violate:

- The Real Estate Settlement Procedures Act (RESPA);
- The Truth in Lending Act (TILA);
- The Federal Trade Commission Act (FTC);
- The Fair Debt Collection Practices Act (FDCPA);
- The Dodd Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank);

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<sup>4</sup> Kimberly Randall, Joint Civil Fraud Division, GAW *Final Civil Action Memorandum No: 2014-CF-1807*  
*See also*, U.S. v JPMorgan, Dist. Court, SD New York 13 Civ. 0220, Stipulation and Order of Settlement and Dismissal Feb 4, 2014 *available at* <https://www.justice.gov/sites/default/files/usao-sdny/legacy/2015/03/25/U.S.%20v%2C%20JPMorgan%2013%20Civ%20%200220%20--%20Executed%20Stipulation%20of%20Settlement%20and%20Judgment.pdf>

- The Equal Credit Opportunity Act; and
- The Fair Housing Act.

31. Defendants' unsafe and unsound practices related to mortgage servicing have been the focus of several consent orders issued by its "Prudential Regulators," including:

- the Comptroller of the Currency (OCC);
- the Board of Governors of the Federal Reserve Board (FRB);
- the Federal Deposit Insurance Corporation (FDIC);
- the Securities and Exchange Commission (SEC); and
- the Consumer Financial Protection Bureau (CFPB).

32. After years of federal scrutiny and concomitant lawsuits condemning the unfair mortgage practices of various national banks including Defendants, the United States Department of Justice ("DOJ") and state governments entered into certain consent orders, settlements and agreements with Defendants, including but not limited to the National Mortgage Settlement Agreement ("NMSA") in 2012 and the Residential Mortgage Backed Security Settlement ("RMBS") in 2013 (the "Lender Settlements").

33. As part of their continued misconduct to evade scrutiny of their illegal mortgage practices beginning in at least 2000, Defendants sought to hide their defective mortgage loans from state and federal agencies by charging them off and transferring them to a hidden set of records (RCV1) and then offloading them on Plaintiffs and other unwitting investors beginning in 2003 and continuing to do through at least 2009.

34. After Plaintiffs acquired mortgage loans from Defendants, during the period 2011 through at least 2016, Defendants released thousands of liens related to RCV1 loans, including RCV1 loans Defendants no longer owned, to avoid detection of non-compliance with the Lender Settlements. These lien releases caused harm to the Plaintiffs and to numerous other note sale investors.

**Scheme to Sell Illegally Non-Serviced Loans to Plaintiffs and Others**

35. Though Defendants have regularly rid themselves of loans from RCV1 since 2000, Defendants' need to shed the loans in the RCV1 became more pronounced after Chase acquired EMC Mortgage Corporation and Bear Stearns Companies LLC (collectively, "EMC") and WAMU- Henderson in 2008. In September 2008, the Federal Trade Commission ("FTC") filed a complaint against EMC asserting improper residential lending and loan servicing practices. To settle the charges, EMC ultimately agreed to pay \$28 million, abide by servicing and foreclosure standards, and establish and maintain a comprehensive data integrity program. Though the FTC's complaint stated that the alleged activities predated Chase's acquisition of EMC, Chase realized that it had been, and was still, engaging in similar large scale mishandling of its own mortgage loans and was therefore exposed to significant potential liability.<sup>5</sup>

36. Similarly, in September 2008, Chase Bank entered into an agreement with the FDIC as receiver for WAMU-Henderson. Chase Bank made a number of representations in its agreement with the FDIC, including that Chase Bank and its subsidiaries were in compliance with all applicable federal, state and local laws. However, at the time of execution and delivery of the agreement, Chase owned thousands of loans with respect to which, through its improper servicing and other misconduct relating to the RCV1, it was in violation of many federal and state laws. These circumstances created a further motive for Chase Bank to participate in the scheme to transfer thousands of noncompliant loans to Plaintiffs and others.<sup>6</sup>

**2008 and 2009 Legislation Compounds Chase's Problems; HAMP and MHA**

37. Moreover, Chase has sought to, and still seeks to, benefit from incentive payments

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<sup>5</sup> <https://www.ftc.gov/news-events/press-releases/2008/09/bear-stearns-and-emc-mortgage-pay-28-million-settle-ftc-charges>

<sup>6</sup> [https://www.fdic.gov/about/freedom/Washington\\_Mutual\\_P\\_and\\_A.pdf](https://www.fdic.gov/about/freedom/Washington_Mutual_P_and_A.pdf)

that were made available through the Making Home Affordable (“MHA”) Program and Home Affordable Modification Program (“HAMP”). However, MHA and HAMP contain strict guidelines, which Chase could not and does not satisfy, in light of its servicing failures hidden in RCV1. The passage of additional legislation and adoption of regulations by the federal government between September 2008 and March 2009 further spurred the need for Defendants to quickly “dump” their problem loans, which, in addition to creating liability, would also have prevented Defendants from qualifying for incentive payments through the federal loan modification programs.

**Defendants’ First Step To Effectuate Its RICO Scheme: The MLPA**

38. Thus, Defendants formulated a plan to transfer many problematic loans to Plaintiffs. To effectuate this plan, Chase coordinated the pattern of misconduct in its capacity as the holding company of which Chase Bank and Chase Home Finance are a part. The first part of Defendants’ plan involved the execution of the Mortgage Loan Purchase Agreement (“MLPA”), through which Defendants sought to dump a large pool of Defendants’ most problematic loans on Plaintiff MRS.

39. Using interstate mail and wires, JPMorgan and Chase Bank, through Chase Home Finance, proceeded to make numerous fraudulent misrepresentations to induce MRS to sign the MLPA. This included the fraudulent representation that all of the loans were in compliance with all applicable federal, state and local laws—a misrepresentation that was knowingly false, as the non-compliance of those loans was particularly what incentivized Chase to enter into the MLPA in the first instance.

40. Defendants also fraudulently represented that the loans being sold were first lien mortgages and defined the loans as such, when, in fact, the loan pool included, *inter alia*,

deficiency judgments.

41. Plaintiff MRS purchased loans from Chase pursuant to the MLPA that were actually Chase's most problematic loans and mostly housed in the RCV1 repository. In March, 2009, bare notes and deeds, without the promised required loan files documenting servicing and borrower information, were simply shipped to Plaintiffs as the "loan files". Plaintiffs also received loans for which no notes, deeds or loan files were provided at all. Nevertheless, Defendants kept promising that the complete loan files were forthcoming, with no intent of ever providing them. Without the necessary documentation, it was difficult or impossible for Plaintiffs to service and collect on the loans. And despite herculean efforts, most often Plaintiffs could not locate the necessary information to service and collect on the loans.

42. Defendants' plan to entice an existing and approved, but unsuspecting note sale buyer to purchase these toxic loans is in plain view in various recently produced email exchanges discussing Defendant's fraudulent scheme to dump non-serviced loans with inadequate documentation on Plaintiffs from October 2008 through February 2009.

43. In an email exchange of November 5, 2008 between Eddie Guerrero, Real Estate Recovery Supervisor at Chase, and Laurence Schneider, the Principal investor in the Schneider Entities, in connection with the offer to sell Schneider a portfolio of loans, Guerrero provided a list of the first liens purportedly included in the sale. Guerrero promised that he could help out on the borrower names and addresses where the accounts were missing the information and Plaintiffs could take a look and go from there. This list of over 6,000 loans sought to entice Plaintiffs to purchase the loans. What Guerrero and Chase knew but concealed from Plaintiffs at that time was that Plaintiffs were not being offered first mortgage liens, but rather deficiency judgments or second liens not kept in the usual and customary regulated SORs. In contravention of past usual

and customary business practices, Plaintiffs were not permitted to choose individual loans from amongst the lists provided, but rather received a “dump” of liabilities that Chase had already decided to “walk” away from.

44. At first, Defendants claimed that Plaintiffs were bidding with other investors for purportedly desirable loans. However, Plaintiffs later learned that there were no other bidders, and that in fact, Plaintiffs were a single investor targeted by Defendants as part of their scheme to off load problematic loans and avoid detection by federal regulators of the non-compliant, non-serviced loans.

**Defendants used the NMSA to Defraud Plaintiffs**

45. Defendants’ scheme reached another level of wrongful profit maximization after the MLPA. Following the sale of loans to the Schneider Entities, Defendants took various actions with respect to those loans that they had no right to take and that caused significant injury to the Schneider Entities. For example, Defendants: (1) released liens and sent loan forgiveness letters to Borrowers whose loans were previously sold to the Schneider entities; (2) approved short sales on properties subject to loans that were previously sold to the Schneider Entities; (3) wrongfully directed enforcement agencies, who were seeking to investigate complaints by homeowners regarding Defendants’ violations of servicing and other obligations, to the Schneider Entities as the responsible party; (4) sent written correspondence to borrowers of loans sold to the Schneider Entities, in which Defendants falsely represented that Defendants owned the loan at issue and/or Defendants’ collection agency was the authorized servicer for the loans at issue; (5) contacted borrowers and falsely conveyed that Defendants had reacquired their loans, and that the borrowers should make payments to Defendants; and (6) failed to maintain and provide proper records for loans sold to the Schneider Entities, thereby impeding the Schneider Entities’ ability to respond to



borrower inquiries about such loans.

46. As early as 2008, Defendants' knew the public was becoming more aware of its the scope of its improper actions. Ultimately, in 2012, public pressure prompted the federal government and many states to bring a complaint against JPMorgan and Chase Bank, as well as other banks responsible for fraudulent and unfair mortgage practices that cost consumers, the federal government, and the states tens of billions of dollars. The complaint alleged that JPMorgan and Chase Bank, as well as other financial institutions, engaged in improper practices related to mortgage origination, mortgage servicing, and foreclosures, including, but not limited to, irresponsible and inadequate oversight of the banks' quality control standards. Unfortunately, the complaint failed to note, and the government appeared unaware of, the Defendants' deeper institutional directives designed to hide their improprieties (such as the establishment of the RCV1 and its true purpose).

47. The filing of this complaint led to the National Mortgage Settlement Agreement (NMSA) being entered into between the United States and Defendants in 2012.<sup>7</sup> The operative document of this agreement was the Consent Judgment (one of the "Lender Settlements"). The Consent Judgment contains, among other things, Consumer Relief provisions that required JPMorgan and Chase Bank to provide over \$4 billion in relief to their borrowers, including through loan forgiveness and refinancing. Under the Consent Judgment, Chase would receive "credits" towards its Consumer Relief obligations by forgiving or modifying loans it owned in accordance with the procedures and requirements contained in Exhibits D and D-1 of the Consent Judgment. In addition, under the Consent Judgment, Defendants were required to adhere to servicing standards for their mortgage loans through mandatory compliance with the Treasury Directives

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<sup>7</sup> The Chase NMSA Consent Judgment is available at :[www.nationalmortgagesettlement.com](http://www.nationalmortgagesettlement.com)

under the MHA Handbook.

48. At all applicable times, Defendants had been continuing to utilize its RCV1 database.

49. However, as in 2008, the loans housed in the RCV1 repository presented a huge reputational risk and legal liability as the loans housed in RCV1 were not being treated as federally related mortgage loans, were not in compliance, were no longer being serviced as such, but were being collected upon.

50. By 2012, the RCV1 database contained hundreds of thousands of federally related mortgage loans, which had been inactivated in regular systems of records and whose accounts were no longer tracked pursuant to regulatory requirements, including escrow accounting.

51. Chase ported into the RCV1, borrowers whose federally related mortgage loans were for low valued properties. This practice was in violation of RESPA, TILA, FDIC Act, and the ECOA.

52. Chase's porting of federally related mortgage loans and inactivation in regulated systems of records again breached its Servicer Participation Agreement with the U.S. Department of the Treasury. In spite of these acts, Defendants entered into a Civil Monetary Penalty with the Federal Reserve concerning its unsafe and unsound practices in its foreclosure, bankruptcy and loss mitigation obligations. Likewise, On February 22, 2012, Defendants entered into a Civil Monetary Penalty with the Federal Reserve concerning its unsafe and unsound practices in its foreclosure, bankruptcy and loss mitigation obligations.

53. The National Mortgage Complaint, among other things, alleged that the misconduct of the defendants "resulted in the issuance of improper mortgages, premature and unauthorized foreclosures, violation of service members' and other homeowners' rights and

protections, the use of false and deceptive affidavits and other documents, and the waste and abuse of taxpayer funds." The National Mortgage Complaint also contained several allegations concerning unfair and deceptive trade practices engaged in by Chase and other financial institutions.

54. In April 2012, the United States District Court for the District of Columbia approved a settlement between the Government, the States, JPMorgan Chase, and four other banks, which resulted in the National Mortgage Settlement Agreement (the "NMS"), reflected in a consent judgment (the "NMS Consent Judgment"). The NMS Consent Judgment contains both federal and state releases to the financial institutions in exchange for their agreement, among other things, to adhere to specified servicing standards and to provide consumer relief to borrowers.

55. Exhibit A to the NMS Consent Judgment contains Servicing Standards that were intended to be used to test general compliance including timeline requirements during the loss mitigation process. The Servicing Standards were mapped to various "metrics" which were designed to gain public confidence in the mortgage servicing industry and improve upon the lack of quality control and communication with borrowers.

56. The Servicing Standards were a general framework for the underlying HAMP requirements pursuant to Chase's Servicer Participation Agreement with the U.S. Treasury (the "SPA") and the underlying federal and state, mortgage servicing and consumer protection laws.

57. As set forth in Exhibits D and D-1 of the NMS Consent Judgment (the "NMS Consumer Relief Provisions"), Chase was required to provide \$4.2 billion in consumer relief to borrowers whose loans it owns and/or serviced and would receive "credits" towards its consumer relief obligations for various forms of loan modifications. The process for the loan modifications is clearly set forth and defined in the HAMP Handbook with which Chase is required to fully

comply pursuant to its SPA with the Treasury.

58. The NMS Consent Judgment addressed Chase's requirement to implement anti-blight programs with respect to mortgages it held in poverty stricken cities. In order to avoid the expense required for compliance with the anti-blight programs, Chase engaged in a practice of releasing liens on properties that served as collateral for loans which Chase had owned or contractually serviced for others. This included loans that Chase had sold to Plaintiff MRS in the MLPA, but had not yet delivered the assignments.

59. As explained by Chase employee, Kimberly Cowman, Chase had received notices regarding certain properties from municipal authorities. Ms. Cowman feared that the city could fine Chase daily or charge [Chase] with all cost of repairs/demolition if the city did the work. Hence, Ms. Cowman urged that Chase release liens in order to not have a judgment filed on Chase .and so Chase would not have any legal responsibility/liability.

60. As set forth in Exhibit F of the NMS Consent Judgment, the United States of America fully released Defendants from all servicing related "covered conduct" as of 11:59 p.m., Eastern Standard Time, on February 8, 2012.

61. The NMSA created a position of "independent" Monitor to ensure Defendants fulfilled their consumer relief obligations. The parties to the Settlement agreed that Joseph A. Smith, Jr. would serve as Monitor. along with various Professional law firms, accountants and other entities selected by him. The Monitor selected BDO Consulting, a division of BDO USA, LLP ("BDO"), Grant Thornton LLP, the law firms Poyner Spruill LLP and Smith Moore Leatherwood, LLP, the accounting firm Cherry, Bekaert & Holland, the forensic accounting firm Parkside Associates, LLC and the communications firm Capstrat. The Monitor also created the Office of Mortgage Settlement Oversight, Inc. ("OMSO"), as administrative support such as

accepting payment of money and the maintenance of books and records.

62. In mid-2012, in anticipation of the NMSA, Defendants began a wholesale release of thousands of liens which had been housed in RCV1, with reckless disregard of Plaintiffs' and other investors' ownership of the liens and the intent of the Lender Settlements, which was to assist low income borrowers to remain in their homes by offering to modify the terms of their mortgages and to prevent community blight. This effort, which has continued at least through the cut-off date for seeking credit under the RMBS Settlement of December 31, 2016, was a deliberate scheme to evade scrutiny, penalties and other obligations under the Lender Settlements, and seek improper credits. Defendants compounded their wrongdoing by continuing to wrongfully collect on the released liens.

**Continuation of the Scheme: Defendants also Used the RMBS to Defraud Plaintiffs**

63. On November 19, 2013, the federal government, a number of other governments and agencies of government and Chase entered into five agreements with Chase to settle federal and state civil claims arising out of the packaging, marketing, sale and issuance of residential mortgage backed securities by Chase, The Bear Stearns Companies, Inc. and WAMU prior to January 1, 2009. As part of the RMBS settlement, JPMorgan acknowledged it made serious misrepresentations to the public - including the investing public - about numerous RMBS transactions.<sup>8</sup>

64. On November 19, 2013, according to a DOJ Press Release on November 13, 2013, the Department of Justice ("DOJ") announced a \$13 billion settlement with Chase to resolve "federal and state civil claims arising out of the packaging, marketing, sale and issuance of residential mortgage-backed securities ("RMBS") by Chase, Bear Stearns and Washington Mutual

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<sup>8</sup> Chase RMBS Settlement available at <https://www.justice.gov/iso/opa/resources/69520131119191246941958.pdf>

prior to Jan. 1, 2009” (the “RMBS Settlement”).

65. Pursuant to the agreement of November 19, 2013, according to a DOJ Press Release on November 13, 2013, Chase agreed to pay \$13 billion in exchange for complete civil immunity.

66. The RMBS Settlement was executed by Stephen M. Coutler, Chase's General Counsel.

67. Before the RMBS Settlement was entered into, Chase had sold a significant volume of its mortgages to individual investors like the Plaintiffs. After the RMBS Settlement was entered into, Chase claimed credit towards its requirement to provide \$4 billion of consumer relief to borrowers by, *inter alia*, including the full indebtedness owed by borrowers whose loans Chase had previously sold to the Plaintiffs.

68. In order for Defendants to enter into the RMBS Settlement Agreement, that settlement would have to be approved by its board of directors as to what claims of covered conduct was released and more importantly, what claims of covered conduct were specifically not released. That communication with the board of directors would likely have been provided by its general counsel Stephen M. Cutler and its chairman and CEO Jamie Dimon.

69. The RMBS Settlement is subject to the 2012 National Mortgage Settlement, which is subject to the 2011 Consent Orders with its Prudential Regulators, which is subject to its Servicer Participation Agreements with Treasury, which is subject to compliance with all federal and state laws.

70. Once again, the RMBS Settlement created a position of “independent” Monitor to ensure Defendants satisfied their consumer relief obligations. The parties to the Settlement agreed that Joseph A. Smith, Jr. would once again serve as Monitor. To assist in his work, the Monitor continued his retention of BDO, Poyner Spruill and Smith Moore Leatherwood as Professionals.

In the Monitor's Initial Report, the Monitor claimed that none of these Professionals had meaningful conflicts that would interfere with the integrity of the work.

71. Under the Lender Settlements, Defendants were obligated to take steps to deter community blight caused by massive numbers of foreclosures on defaulted mortgages that Defendants held. To evade these obligations, Defendants implemented the "Alternative Foreclosure Program," through which Defendants essentially released liens without disclosure to borrowers or municipalities in order to walk away from Defendants' obligations to deter community blight. These releases, which were done with the knowledge of executives as high up at Chase as Jamie Dimon, were done slowly so as to avoid municipality detection. The released liens included liens on properties that served as collateral for loans Defendants had already sold to the Schneider Entities. The lien releases are ongoing, and damaged the Schneider Entities, despite the Schneider Entities' repeated written notices to Chase that those releases are improper.

72. The lien releases include releases with respect to loans in the RCV1 whose servicing violations have been concealed from the Monitor. Some of the loans in the RCV1 have been transferred to MRS, without MRS's knowledge, to further the Defendants' goal of concealment of their violations. These transfers were used by Defendants, upon information and belief to facilitate the issuance of lien releases designed to improperly take advantage of credits for RMBS Consumer Relief (while also exacerbating their evasion of community blight deterrence obligations). As noted above, some scores of the lien releases were on properties associated with loans sold to the Schneider Entities.

73. When Plaintiffs became aware of the scope of Defendants' misconduct, Plaintiffs took steps to assert their rights. One such action was Plaintiff's principal, Laurence Schneider, filing a federal False Claims Act complaint (the "FCA Complaint") as relator against Defendants.

The FCA Complaint was partially unsealed on or about November 1, 2013, and likely became known to Defendants on or about that date, if not before.

74. To further evade their responsibilities under the Lender Settlements, Defendants put to use a pre-existing process that they referred to internally as the “Pre-DOJ Lien Release Project.” This process had been developed to release liens on loans in the RCVI and aid the Defendants in circumventing their obligations under the various Lender Settlements. The Pre-DOJ Lien Release Project was implemented in the fall of 2012, after the execution and implementation of the Consent Judgment, yet was designated as the “Pre-DOJ Lien Release Project.” A number of actions under the Pre-DOJ Lien Release Project intentionally or recklessly damaged Plaintiffs.

75. These activities interfered with Plaintiffs’ rights to monies and properties to which Plaintiffs were entitled and materially interfered with relationships with its borrowers. They further wrongfully entangle the Schneider Entities in JPMorgan’s efforts to claim unfair RMBS Consumer Relief credits. In addition, these actions expose the Schneider Entities to liability to borrowers whose liens Defendants may have released. However, because of Defendants’ use of MRS as a repository to “dump” loans from the RCV1 queue of which the Monitor became fully aware, MRS is unable to presently determine the scope of liability it may be incurring to borrowers and municipalities.

76. Despite Defendants’ efforts at secrecy, certain Municipalities learned of the unfair lien releases and filed complaints against Defendants. These complaints came to the attention of the Monitor and his Professionals but were ignored. For example, by letter dated July 9, 2014, The City of Milwaukee, wrote Joseph A. Smith, Jr., Monitor, Office of Mortgage Oversight of their concern that:

*Thousands of homeowners are finding themselves legally liable for houses they didn’t know they still owned after banks decided it wasn’t worth their while to complete*



*foreclosures on them* [emphasis theirs]. With impunity, banks have been walking away from foreclosures much the way some homeowners walked away from their mortgages when the housing market first crashed.

According to the February 26, 2014 Consent Judgment in *Consumer Financial Protection Bureau, et. al. v. Ocwen Financial Corporation and Ocwen Loan Servicing, LLC* (U.S. District Court, District of Columbia), 2013-CV-2025, Exhibit A, Section VIII-A, Measures to Deter Community Blight, Subsection 4b, requires Servicers who make ‘a determination not to pursue foreclosure action on a property with respect to a first lien mortgage loan . . .’ to ‘[n]otify local authorities, such as tax authorities, courts, or code enforcement departments, when Servicer decides to release the lien and not pursue foreclosure.

77. This was clearly not done. The Monitor has admitted to Plaintiffs that the Monitor’s Office did nothing in terms of trying to relieve the concerns of cities like Milwaukee.

78. The following individuals or entities aided and abetted in the wrongdoing and RICO scheme alleged herein:

- Joseph A. Smith, Jr., Monitor under the NMS and RMBS Settlements;
- Professionals hired by the Monitor, including his own law firm, Poyner Spruill, LLP, Smith Moore Leatherwood LLP, BDO USA, Grant Thornton LLP, and others (the “Professionals”);
- Other Servicers participating in the NMS and/or RMBS Settlements;
- Nationwide Title Clearing (NWTC);
- Third Party Collection Agencies.

79. After entering into the Lender Settlements, Defendants, with the knowledge and approval of the Monitor and Professionals who were supposed to oversee compliance with the Settlements, avoided complying with the servicing and consumer relief requirements by, *inter alia*, releasing thousands of non-compliant, non-serviced loans in the RCV1 database, thereby evading the required scrutiny and testing metrics of the Settlements. In addition, these fraudulent releases of non-compliant loans did not qualify for the credits under the Settlement because they had not been properly serviced, Defendants did not own the loans, or were an improper effort to evade liability for urban blight.

80. Under the Lender Settlements, the Monitor, with the support of his Professionals,

had the responsibility to ensure that Defendants were in compliance with the Servicing Standards and had properly satisfied the consumer relief requirements. Nevertheless, the Monitor and his Professionals knowingly assisted Defendants in avoiding compliance with the letter and intent of the Settlements.

81. As set forth above, in anticipation of the NMSA, Defendants determined in 2012 that RCV1 must be excluded from internal review and DOJ testing because Defendants knew they had not been serviced properly. Defendants began releasing RCV1 liens to avoid compliance with the servicing and consumer relief requirements of the NMSA and to obtain credit thereunder.

82. In 2012, the Monitor learned of the existence of RCV1, which had been excluded from compliance servicing requirements under federal law and Settlement requirements. In December 2013 (and perhaps earlier), the Monitor had in fact found RCV1 loans had failed metrics testing and advised Defendants that the loans should be subject to NMSA testing. Yet in direct violation of his duty to enforce the terms of the Settlement and with knowledge that RCV1 loans were not and could not be compliant with servicing standards under the NMSA, Defendants and the Monitor discussed how the RCV1 loan population could be excluded from the Monitor's review. The Monitor advised Defendants by email dated January 31, 2014 that he agreed with Defendants' argument that the RCV1 loans could be excluded from the definition of federally related loans under RESPA or Regulation X, and thus excluded from testing under the NMSA, as long as Defendants released the first and second liens on the subject properties.

83. This agreement to exclude RCV1 loans from metrics testing or further scrutiny aided and abetted Defendants' continued course of misconduct of releasing RCV1 liens on non-serviced, non-performing loans for which Defendants could seek credit and yet continue collection efforts. The Monitor's agreement undercut many purposes of the Settlement, such as ensuring pre-

release loan modification efforts to enable borrowers to stay in their homes, forgiving debt for struggling borrowers and promoting anti-blight efforts.

84. There was further deliberate non-compliance and lack of independence in enforcing the Settlements on the part of the Monitor. Under the 2012 NMSA, the Monitor was assigned to evaluate all Servicers for a period of up to three and a half years to supervise compliance with the Settlement. In the Settlement Section E at E-3, the Monitor was not to be retained by any Party or its successors or assigns for a period of two years after the conclusion of the terms of the engagement. Nevertheless, the 2013 RMBS settlement appointed the very same Monitor who had allowed Defendants to evade their obligation under the NMS Settlement to evaluate whether the Servicers met the terms of the RMBS Settlement.

85. The specific facts relating to the Monitor's and Professionals' knowing involvement in the scheme include the following, as verified by Joseph A. Smith's deposition on February 9, 2017 in the instant case:

- The Monitor received at least \$1 Million for monitoring compliance with the NMSA;
- The Monitor received \$200,000 per year for monitoring compliance with the RMBS;
- The Monitor's law firm, Poyner Spruill, and Smith Moore Leatherwood helped the Monitor "interpret" the Settlement documents and "implement" the Settlements;
- The Monitor and the Professionals attended cross-servicer Lender Settlement signatories to establish uniform rules of performance and measurement for all servicers;
- The Monitor and Professionals reviewed Chase's systems of record, including RCV1, and met with Chase management and IT regarding the same;
- The Monitor relied on whatever follow up information Chase provided without independent verification of the integrity of the systems of record;
- The Monitor was aware that at least one of his Professionals, Grant Thornton, had determined that RCV1 loans were not to be included in populations for metrics testing so long as the liens on the loans were released prior to testing;
- The Monitor and his Professionals knew that management, not the Monitor, determined the population of loans to which metrics testing applied;
- The Monitor never reported to the Court that the RCV1 loan population had been excluded

from metrics testing;

- The Monitor never analyzed the effect of Chase's lien releases on municipalities or community blight and never tested for compliance with the anti-blight requirements;
- The Monitor never notified government regulators that RCV1 loans were not being serviced;
- The Monitor, rather than doing an independent investigation, relied on Chase employees to verify that a valid lien had been released from RCV1 in order to qualify for credit under the Lender Settlements;
- The Monitor never received a list of loans Chase took credit on to determine if the credits were proper under the Settlements;

86. This intentional dereliction of duty under the Settlements by the Monitor and Professionals aided and abetted Defendants' continued course of misconduct of releasing liens throughout the country on loans hidden in RCV1, successfully helping Defendants avoid metric testing under NMSA yet potentially allowing them to seek credit under the Lender Settlements. The Monitor's and his Professionals' acquiescence to Chase's intentional acts also undercut the purposes of the Settlement, such as providing troubled borrowers with loan modification efforts to enable borrowers to stay in their homes, debt forgiveness for struggling borrowers and community anti-blight efforts. The Monitor's acquiescence to Chase's intentional acts assisted Chase's scheme from at least September, 2013 through December 2016 of utilizing the RCV1 system to hide problematic loans, manipulate compliance, and seek credits under the Lender Settlements to which Defendants were not entitled by releasing and collecting on liens sold to Plaintiffs and no longer owned by Defendants.

87. The purported watchdogs of the Settlements also attended joint meetings with the banks participating in the Settlements (Chase, Citibank, GMAC, Bank of America and Wells Fargo). This compounded the potential for wrongdoing and violated their duty of independence by participating in "cross servicer discussions" to discuss "alignment" regarding what the banks, and not the Monitor, would consider compliance with the Settlements. This included whether each

bank would release liens on all of their charged off second lien portfolio, whether they would forgive debt at the time of a lien release or continue collecting on the loan, and the procedures for lien releasing first mortgages in abandoned low value blighted properties. Such joint discussions allowing the banks to determine what was compliance under the Settlements was in derogation of the duty of the Monitor and the Professionals to maintain their independence. The Monitor and his Professionals provided illusory insurance of compliance with the Settlements: in reality, they were in the pockets of all of these banks since their compensation was solely provided by the parties they were supposed to be watching.

88. Other knowing participants in the conspiracy include third party title clearing agencies, such as Nationwide Title Clearing Company (NTC), Pierson Patterson, and LCS Financial Services, who were directed by Defendants to prepare and then file fraudulent lien releases and other documents affecting interests in property. Either these entities were hired to verify liens and successively failed to properly validate the liens before creating documents and lien releases containing false information, or these entities were directed by Chase to create the documents with the information provided by Defendants. In either case, these title clearing agencies which recorded fraudulent releases of liens and related documents in the public record, had independent and separate duty from Defendants to file, under various state laws, all relevant documents only after a good faith proper validation of the liens. Instead these entities deliberately violated their duty of care by knowingly or recklessly filing false lien releases and false documents on properties not owned by Defendants.

89. In many states, the act of creating these documents is considered the unauthorized practice of law. In Florida, where NTC is organized, there is a small exception for title companies who are only permitted to prepare documents and perform other necessary acts affecting the legal

title of property where the property in question is to be insured, to fulfill a condition for issuance of a title policy or title insurance commitment by the Insurer or if a separate charge was made for such services apart from the insurance premium of the Insurer. Plaintiffs have not ascertained whether Nationwide Title or any other agencies created documents for Chase as a necessary incident to Chase's purchase of title insurance in Florida.

90. Chase used Real Time Resolutions, GC Services, and Five Lakes Agency, among other collection agencies, to maximize its own back door revenues on loans that were problematic and had been inactivated/"charged off" and thereby were invisible to regulatory agencies.

91. At all times, Defendants directed the collection of revenue on problematic federal mortgage loans, placing them in succession at third party collection agencies. Those third party collection agencies included:

92. The third-party collection agencies had a duty to verify whether the debts were owned by Chase, offer pre-foreclosure loss mitigation, offer Borrowers foreclosure alternatives, and comply with any of HUD's quality control directives and knowingly or recklessly failed to do so. The third-party collectors knew that the debts they were collecting at Defendants' directions were mortgage loans. They also knew they did not have the mechanisms to provide any regulatory servicing. Nonetheless, the third-party collection agencies continued collection on behalf of Chase for RCV1 loans. The collection agencies continued to collect without oversight or verification and did in fact continue collecting on debt on behalf of Defendants, despite the mortgage loans being owned by the Schneider entities. The ongoing collection gave Chase continued windfalls.

**The Plaintiffs' contracts with the Defendants**

93. The Plaintiffs are in the business of buying from financial institutions federally related residential mortgage loans which are not performing according to their original terms. Each

purchase would include the full collateral file with the original documents including the note, the mortgage or deed of trust, payment history, and the servicing file and history.

94. The Plaintiffs' business model is to provide superior service with the goal of working out reasonable and sustainable payment plans with the borrowers so that they can retain their homes. Under this model, Plaintiffs would be able to make flexible tailor made arrangements with borrowers at a time when Defendants were unable or unwilling to do so.

95. Plaintiffs' business model necessitates that Plaintiffs receive the entire collateral file at the time loans are purchased or shortly thereafter.

96. Beginning in 2005, S&A began regularly purchasing residential mortgage loans from Bank One, a division of Chase, pursuant to a Master Mortgage Loan Sale Agreement (the "MMLSA") between S&A as purchaser and Chase as seller (Exhibit 2).

97. From April 2005 to June 2010, pursuant to the MMLSA, S&A acquired approximately 650 first and second lien mortgage loans from Chase, which included delivery of an assignment of the note and mortgage or deed of trust to S&A (the "S&A Loans"). S&A was routinely provided proper documentation within one to two months of purchase

98. A list of the loans S&A purchased from the Defendants is annexed as Exhibit 1 hereto.

99. Beginning in 2008, 1st Fidelity began purchasing residential mortgage loans from Chase. Between May 2008 and November 2010, 1st Fidelity acquired approximately 350 individual first and second lien mortgage loans from Chase (the "1st Fidelity Loans") through individual note sale agreements that included the assignment of the mortgage or deed of trust securing the loan. 1st Fidelity also purchased loans pursuant to a Master Mortgage Loan Sale Agreement (the "MMLSA") between 1st Fidelity as purchaser and Chase as seller and is annexed as Exhibit 3 hereto. A list of the loans 1st Fidelity purchased from the Defendants is annexed as

Exhibit 1 hereto. A chart showing the number of loans purchased by S&A and 1<sup>st</sup> Fidelity is below:

Summary Of Loans Bought By S&A From Chase

S&A			
	Number of	Principal	
	Loans	Balance	Purchase Price
2003	1	24,450	2,841
2004	0	-	-
2005	36	845,586	255,650
2006	28	713,809	199,818
2007	320	9,330,420	1,084,103
2008	146	5,556,894	645,656
2009	71	3,537,449	411,017
2010	44	2,478,752	288,007
Total	646	\$ 22,487,360	\$ 2,887,091

Summary Of Loans Bought By 1st Fidelity From Chase

1st Fidelity			
	Number of	Principal	
	Loans	Balance	Purchase Price
2009	204	18,564,691	1,844,750
2010	153	13,094,214	1,683,455
Total	357	\$ 31,658,905	\$ 3,528,205
<b>Combined</b>	<b>1,003</b>	<b>\$ 54,146,265</b>	<b>\$ 6,415,296</b>

100. With respect to both the S&A Loans and the 1st Fidelity Loans, Chase provided S&A and 1st Fidelity, shortly after the closing of each loan sale to S&A and 1<sup>st</sup> Fidelity and pursuant to the requirements of the MMLSA, all of the files and records evidencing or relating to each purchased loan, including all of the original documentation for each loan.

101. Through November 2010 S&A and 1st Fidelity purchased hundreds of first and second lien residential mortgage loans from the Defendants without any significant problems. As intended, Plaintiffs were able to provide borrowers with flexible and tailor made repayment arrangements which Chase representatives were unable to provide, thus allowing for the Plaintiffs to profit in a symbiotic relationship with homeowners through affordable and sustainable payments which allowed homeowners to retain their homes.

102. In 2008, Eddie Guerrero, Real Estate Recovery Supervisor for Chase, informed Schneider that Chase was interested in selling a portfolio of "First Lien Walks," that is, closed-end first lien residential mortgage loans, which Chase had determined, based upon a cost-benefit analysis also known as a Net Present Value ("NPV") analysis, it no longer made sense from a business perspective to continue to own or service these loans. Guerrero told Schneider that the



"highest levels of Management" had made it an urgent priority to get rid of this portfolio, which consisted of low-valued properties, mostly in parts of the country hardest hit by the housing crisis, such as Detroit and Flint, Michigan; St. Louis and Ferguson, Missouri; Baltimore, Maryland and numerous other cities in upstate New York. Guerrero told Schneider that, in view of the dramatic increase in the volume of defaulted loans, Chase had set new thresholds in determining whether a particular first lien loan was worth foreclosing, resulting in a higher volume of "First Lien Walks" that Chase wanted to sell. Guerrero's claims of the highest levels of management making the disposal of this portfolio an urgent priority were reconfirmed on a November 11, 2008 email.

103. Via electronic correspondence beginning September 16, 2008, Eddie Guerrero advised he was beginning to lay the groundwork for a "strong note sale push" on behalf of Chase.

104. In order to encourage Schneider to buy the proposed loan package, Guerrero told Schneider that the proposed loan package included some "cherries," (valuable loans) that were erroneously "charged off", removed from Chase's primary System of Records ("SOR") and ported to its Recovery department, but Guerrero failed to disclose that the alleged loans were not being serviced.

105. An October 8, 2008 spreadsheet created by Sam Brown, VP of Default Strategy Management at Chase confirms that as early as 2008, Defendants had charged-off the main SORs and ported at least 29,230 loans into RCV1 and that 15,974 of those loans were not owned by Defendants, but rather owned by Residential Mortgage Backed Security Trusts and other investors, in which Defendants had a contractual obligation to properly service the mortgages on behalf of the RMBS trusts.

106. A September 30, 2014 document shows that as late as September 30, 2014, Defendants had charged-off and ported 699,541 loans into RCV1.

107. On October 16, 2008, Mr. Guerrero advised Mr. Schneider electronically that he should be expecting a call from Jason Miranda Oquendo; Project Manager for Chase to complete the application process for the purchase of loan pools from Chase. Mr. Oquendo communicated with Mr. Schneider and on October 17, 2008, Mr. Schneider provided Mr. Oquendo all of the information required in order to be approved for bulk loan sale bidding, including a copy of the 2005 MMLPA between Plaintiff S&A and Defendant Chase.

108. Unbeknownst to Schneider, on October 20, 2008, Oquendo emailed Victor Fox, V.P. Real Estate Recovery for Chase, asking for direction on whether to off load notes: "*What are your thoughts on this? I'm not comfortable making this decision since this isn't in line with our policy.*"

109. Also unbeknownst to Plaintiffs, on October 28, 2008, Victor Fox emailed Mr. Guerrero, stating "*Ed, thanks Chad and I talked last night and we want to put this to bed. If he can scrub the entire 20,000 (bank owned and serviced) he can have the first right, as long as he understands we will have to get at least one competitive bid to stay in compliance, let's rock and roll on this*" to which Eddie Guerrero responded "I'll ask Larry to scrub list of all accounts. He can have 1<sup>st</sup> right but need one other competitive bid . . . Are we able to release liens on serviced loans? . . . Do we treat serviced loans the same as owned? . . . Have rep calling me today."

110. Defendant Chase provided only a minimal amount of information to Schneider about the loans, purportedly to be in line with legal requirements as Plaintiffs did not own any of the loans. Larry Schneider, on behalf of Plaintiffs, understood the term "scrub" to mean the attempt of due diligence on the loans using the limited data made available by Defendant Chase and use of the software RealQuest, a property and ownership search engine.

111. As early as July of 2008, there were numerous discussions amongst Chase employees discussing the off-loading of loans posing a reputational risk. For example, Nancy Wooten,

Default Centralized Operations, Todd Kalbac, Vice President Operations Analysis, Sam Brown, Default Risk Management, and Chad Paxton discussed between July 22, 2008 and July 23, 2008 the need for the analysis to determine when Chase should be releasing liens on "first walk decisions" on loans in the Recovery Department. Later on October 29, 2008 in an email from Chad Paxton, AVP Default Servicing & Recovery at Chase, to Victor Fox, Chase would discuss whether Chase could off-load by sale bank-owned loans housed in Recovery to Plaintiff.

112. Unbeknownst to Plaintiffs, Chase was selling non-compliant and thus no longer "federally related mortgage loans" to Plaintiff which Chase had ported and inactivated within their regulated systems of records but had copied over to a separate data repository solely for the purpose of collecting without servicing. Under the upcoming HAMP, Recovery One loans presented a reputational risk because Chase would essentially be in breach of its own Servicer Participation Agreement under HAMP. Additionally, the existence of the loans as bank owned loans would throw off the Supervisory Capital Assessment Program stress test results for the Bank Holding Companies which would take place in 2009 to measure the financial strength of Chase as one of the nation's largest financial institutions. The requirements of the stress tests measured each bank holding company's Tier 1 common capital against a baseline scenario and a hypothetical scenario that was deemed more adverse. Chase successfully passed the stress test in the spring of 2009.

113. On October 30, 2008, Guerrero sent Schneider an email attaching the preliminary tape for the "First Lien Walks" available for sale. Guerrero also informed Schneider that the proposed sale was to be made through a process of competitive bidding.

114. The data tape sent was useless from a due diligence perspective as it did not even include borrowers' names, the addresses of the underlying collateral properties being offered, or the loan balances. Schneider informed Guerrero about the missing information, and requested the

same.

115. Unbeknownst to Schneider, later that day, Guerrero informed Fox, Paxton and Richmond, of Chase that, *“the lists I have for the first lien walks don’t include the entire collateral address (brought to my attention after the file was sent to the investor)... Do we have a list that contains the entire collateral address or can we bump this list up against something to fill in the street address?”* Fox then forwards the email string to Sam Brown and includes the following statement *“Sam, we have an investor who will scrub our loans for free, if they have the right of first refusal on sale. Can you see Ed’s note and let us know if you can handle this”?* Brown then replied to all saying, *“Shouldn’t be a problem. Is this in the RCV1 by Chance? If not, I can look elsewhere.”* Richmond then states, *“The collateral address is in FORTRACS-HE from VLS, FORTRACS-Prime for HE/RE, and DRi for Subprime...As far as I know, that is our only options.”*

116. Plaintiff MRS was not privy to Defendants' internal communications of October 30, 2008, which clarify that Chase knew that the loans it was intending to off load onto the Plaintiff were not on the primary system of record and were being provided from the un-serviced repository called RCV1. The information in RCV1 was not complete because it was not a regulated system of record. As indicated by Chase's communications, Chase purposefully cut and pasted select information where it could from other systems of records to the information in RCV1. Defendants' emails discuss data from the FORTRACS application, the acronym for Foreclosure Tracking System, which is an automated, loan default tracking application that also handles the loss mitigation, foreclosure processing, bankruptcy monitoring, and whose data would have originally come from a primary system of record. Rather than a normal and customary data tape, Chase was providing a Frankenstein of a data tape, stitched together from a patchwork of questionable

information.

117. In November 2008, Guerrero sent Schneider an email attaching a second data tape (the "November 2008 Data Tape") which identified a data field indicating all the loans as first lien mortgages. Although information was substantially incomplete on some of the loans, including the borrowers' names and collateral addresses, Guerrero said he would provide the information shortly. The spreadsheet within the November 2008 Data Tape contained a total population of approximately 5,785 mortgage loans, with an aggregate "charge off" balance of approximately \$230 million, all represented to be first lien residential mortgage loans.

118. Schneider began to perform due diligence on the November 2008 Data Tape by sorting the loans by highest balance. The largest two loans were the Ali Sayed and Ricardo Salinas loans, both of which had balances in excess of \$500,000 and both were located in areas which Schneider knew contained homes valued in excess of \$1M. Upon a search of the public records, which confirmed recorded mortgages on the subject properties which coincided with the amount Guerrero represented in the data tape, Schneider immediately realized that the "cherries" to which Guerrero had referred were fully secured and should yield over \$1 million in liquidation value.

119. Schneider asked Guerrero why there were so many names and addresses missing from the November 2008 Data Tape. Guerrero responded that Chase had all of the information but it was not yet accessible because Chase had just acquired Washington Mutual, Inc. and had not yet completed the lengthy process of converting the data from Washington Mutual's system to Chase's system. Plaintiff was not aware of Defendants' October 30, 2008 internal emails which detail the true source of the loan data and reason for the missing information.

120. Guerrero assured Schneider that Chase was in possession of all the data and would supply all the necessary borrower information and collateral files, as it had consistently done

pursuant to the contractual terms between the parties and the past protocol established in hundreds of individual note sale agreements with S&A and 1<sup>st</sup> Fidelity. According to a November 6, 2008 email from Guerrero to Schneider, Guerrero states; *“Excellent, trust me. I am making you out to be a god send as well as making sure they understand how big and expensive of a task this. This is an important issue for the way higher ups, so it makes me look like a hero and should help you get some good deals too.”*

121. Adding pressure for Plaintiff to buy the loans, Guerrero told Schneider the loan sale had to close by the end of the year so that Chase could get the loans off its books. Plaintiff was unaware that the loans coming from RCV1 were no longer being serviced, that RCV1 loans were "off the books" and no longer "federally related mortgage loans". Chase's alignment of the cutoff date of the MLPA to be within the 2008 calendar year added profits and ultimately avoided inclusion of loans in all 2009 reporting and compliance requirements.

122. In December 2008, Schneider informed Guerrero that he would not be bidding on the MLPA loan pool. Despite the “cherries” which Schneider confirmed existed within the population of potential loans being offered, Schneider was not interested in making a competitive bid for several reasons, including the fact that MRS was in the final stages of consummating a \$250M deal with HSBC. He communicated this to Guerrero.

123. Shortly thereafter, Guerrero called Schneider and indicated that Chase would sell the portfolio of loans to Schneider for only \$200,000, as the sale had to close prior to the end of the year and Chase knew that Schneider would honor his commitment, as he had on hundreds of occasions in the past. Based on his evaluation of the “cherries,” Schneider said that he would buy the portfolio listed on the November 2008 Data Tape for \$200,000.

124. On December 22, 2008, Guerrero sent Schneider an email urging him to prepare,

instead of a competitive bid letter, a letter "reiterating your acceptance of our offer," to purchase the portfolio of loans for \$200,000.

125. On December 22, 2008, Schneider sent a letter to Victor B. Fox, Vice President, Real Estate Recovery for Chase Home Finance, in which he made a formal offer to purchase approximately \$100 million of impaired "first lien mortgage loans".

126. Defendants, by and through their agents and management, knew and intended to profit off of selling otherwise non-compliant, non-serviced loans parked in its off the books repository RCV1, which Defendants intended to lien release before HAMP became active.

127. On December 23, 2008, as instructed, Schneider obtained a cashier's check payable to Chase in the amount of \$200,000 for payment in full for the Non-Performing Closed end First Lien Mortgage Loan Portfolio. The memo on the cashier's check said "1st Lien Pool," based on Guerrero's representation that all of the loans were first lien mortgage loans. The cashier's check was sent via FedEx to Chase, attention Eddie Guerrero.

128. On December 23, 2008, Schneider again asked Guerrero for all the boarding information on the loans.

129. Unbeknownst to Schneider, upon receipt of Schneider's confirmation that the \$200,000.00 check was in route, Guerrero emailed Fox, who then immediately replied "So do we have a live check in hand or is it in route to us? Guerrero responded by email on December 18, 2008 "In route... I don't want it. LOL. ,"

130. The \$200,000 purchase price represented a fraction of the amount of money MRS committed to expend by acquiring ownership of the portfolio of what Schneider believed to be federally related mortgage loans because MRS understood it was contractually and legally required to service the loans which would entail establishing an escrow account, analysis to determine the

periodic payments, taxes, insurance, disbursement dates, providing an escrow account statement, mortgage servicing transfer disclosure, responding to borrowers' qualified written requests, and preservation. MRS understood it would service the loans in accordance with the mortgage servicing and consumer protection requirements of federally related mortgage loans pursuant to the Federal Deposit Insurance Act, RESPA, and other applicable laws with which Chase was required to comply. MRS intended to utilize a staff of approximately ten people plus outsourced resources in order to service the portfolio.

131. On January 5, 2009, Schneider again requested the final Exhibit A and specifically indicated that Exhibit A needed to contain the minimum and customary loan boarding data to input a borrower's information to any commercially available mortgage loan servicing system. Schneider explicitly informed Guerrero through email of the "Initial Boarding information to send RESPA letters:

- Borrower Name
- Co-Borrower Name
- Collateral Address
- Principal balance
- Mailing Address
- Phone Number
- Social Security #
- Chase Loan #

Additionally, Schneider informed Guerrero by email on January 5, 2009 that the loans could not be boarded for any loans without:

- Monthly Payment
- Interest Rate
- Last Paid
- Next Due
- Payoff.
- Copy of the Note and Mortgage for Maturity date



- Term
- Rate (margin & Index if adjustable)
- Payment History

132. Unbeknownst to Schneider, a January 6, 2009 email from Guerrero to Oquendo and Sandra Mulloy of Chase, again confirms the loans being off-loaded onto Schneider were non-compliant accounts in the RCV1 system and not customary loans from regulated SORs ,’ *“Here is the list of First Lien Walks that are out with Agency. Please recall all accounts that don’t have a working arrangement and send the list of recalled accounts to Sandra to be moved into the 4SALE queue.”*

133. Schneider requested that Chase provide him with the final data tape so that he could review it before signing the MLPA. Chase told Schneider it would provide him with the final data tape after he signed the MLPA.

134. It was not until February 5, 2009 that Schneider received an email from Guerrero attaching the Mortgage Loan Purchase Agreement (the "MLPA") for Schneider's review and signature, with a placeholder for inclusion of Exhibit A as the list of mortgage loans being sold pursuant to the MLPA. The MLPA provided for sale of 4,271 loans with an outstanding principal balance of \$172,093,033.13. This was \$72,093,033.13 more than Schneider had been informed would be included in the pool. Yet Chase did not ask for any additional funds. The list was to be drawn from the November 2008 Data Tape, but Schneider was never provided with a copy of the data tape that was purportedly to be Exhibit A to the MLPA. On February 5, 2009, Schneider signed the MLPA and emailed Guerrero the executed copy.

135. In reliance upon his long-standing relationship with Guerrero and Chase, Schneider signed the MLPA on behalf of MRS, despite the fact that he had not received Exhibit A to the MLPA, and MRS paid the full consideration required under the MLPA.

136. On February 6, 2009, after Schneider had executed the February 6, 2009 preliminary MPLA, Fox emailed Richmond and Paxton with a celebratory email stating “...*Chad can you work with your management team to document the process so we can put this baby to bed? Cheers boys Vic.*”

137. On February 23, 2009, Defendants circulated an internal email from Guerrero to Fox and Paxton in which Guerrero states, "I am trying to wrap up the 1<sup>st</sup> Lien Walk Sale and be done with it once and for all... Once both parties sign, we have the accounts ready to be moved to a sold queue where they will be stamped with contact info for the purchaser. We have a spreadsheet with all pertinent data that will also be sent to the purchaser so he can board the accounts and send RESPA notifications." This email confirms that that the accounts were moved to the SOLD queue, where they would be stamped with purchaser information and thus identifiable. The "SOLD" acronym refers to a queue within the RCV1 (RCY\_SYS) database and not any of Chase's legitimate regulated systems of records.

138. Victor Fox, Vice President of Chase, faxed to Schneider the fully-executed MLPA which provided for the sale to MRS of 3,529 "nonperforming and/or impaired closed end first lien mortgage loans that are or have been delinquent for 180 days or more and have been or may otherwise be in default" (the "MRS Loans"), with an outstanding balance of \$156,324,399.24. See Exhibit 4 hereto at 1.

139. After receiving the fully-executed MLPA, Chase emailed to Schneider a data tape purporting to be Exhibit A to the MPLA with a note: "All yours."

140. Although MRS had originally agreed to Chase's offer to purchase approximately \$100 million of loans for \$200,000, Chase did not ask for any additional consideration for the 50% increase in the loans actually sold. The reason for Chase's conduct is that Chase knew, but

Schneider did not, that the MRS Loans represented an enormous liability to Defendants for Chase's violation of statutory and regulatory requirements owed to these borrowers, to state and federal regulatory agencies tasked with oversight of consumer protection, and to federal agencies that oversee the safety and soundness of financial institutions. Chase knew, and Schneider did not, that the increase in loans sold simply transferred a substantially increased liability from Chase to MRS.

141. Ultimately, Schneider learned that Chase used his entities, through the MLPA, as a dumping ground for the enormous liabilities it transferred to MRS based on Chase's systematic violations of Federal laws. Chase knowingly and deliberately violated the representation and warranty in the MLPA that it had fully complied with all applicable law.

142. Pursuant to the MLPA, Chase sold the Mortgage Loans to MRS "AS IS with no representations or warranties except as expressly provided herein, and with NO RECOURSE whatsoever to Seller." Exhibit 4 § 4, at 2.

143. However, in the MLPA, Chase made the following representations and warranties:

- (i) The information set forth on the data tape provided by Seller to Purchaser with respect to the Mortgage Loans is true and correct in all material respects as of the date such data tape was compiled;
- (ii) Seller is the sole owner of the Mortgage loans and has full right to transfer and sell the Mortgage Loans to Purchaser; and
- (iii) Each Mortgage Loan complies in all material respects with all applicable federal, state, or local laws, including, without limitation, the Federal Truth in Lending Act of 1969, the Federal Equal Credit Opportunity Act, the Federal Real Estate Settlement Procedures Act of 1974, and state and federal usury, consumer credit protection and privacy, predatory and abusive lending laws applicable to the Mortgage Loans.

Exhibit 4 § 6.

144. The MLPA contains the following provision with respect to its survival:

This Agreement includes provisions which the parties hereto intend

will remain in effect after the closing of the transaction contemplated by this Agreement. Accordingly, this Agreement shall survive and remain in effect after such closing.

Exhibit 4 § 11.

145. The MLPA contains the following choice of law provision:

This Agreement shall be deemed to have been made in the State of New York. The Agreement shall be construed in accordance with the laws of the State of New York and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with the laws of the State of New York, excluding conflict of laws issues. The parties hereby agree that all disputes arising hereunder shall be submitted to and hereby subject themselves to the jurisdiction of the courts of competent jurisdiction, state and federal, in the State of New York.

Exhibit 4 § 15.

**The Defendants' Breaches of their Contractual Obligations and Duties Owed to Plaintiffs under the MLPA**

*a. Chase failed to provide a proper Exhibit A*

146. While the MLPA refers to an attached schedule of purchased mortgage loans, Schneider received the fully executed MLPA from Chase, signed by Victor Fox, Vice President, on behalf of Chase, without Exhibit A. Later that same day, Guerrero emailed the purported data tape to Schneider which constituted Exhibit A. However, the Exhibit A Schneider received on February 25, 2009 (the "Corrupted List") was grossly deficient in that it did not include basic information such as borrower names and phone numbers, addresses of the mortgaged properties, current outstanding balance of each loan, the status of the property as occupied or vacant and other customary information necessary for the servicing of mortgage loans.

147. Guerrero assured Schneider that he would supplement the information on Exhibit A but he never did so. Each time Schneider raised the issue with Guerrero, Guerrero claimed that

the delay in providing the tape was caused by the difficulty of converting information from Washington Mutual's system.

148. In fact, as MRS ultimately learned, none of the MRS Loans were legacy coded as being originated by Washington Mutual.

149. Because of the inadequacy of Exhibit A, MRS was forced to invest an enormous amount of personnel time to research borrower identities, property locations, and occupancy status from a review of public records and internet searches. None of these expenses would have been incurred by MRS if Chase had fulfilled its contractual obligation to provide a complete Exhibit A to MRS.

*b. Chase knowingly sold loans that were not secured by mortgages*

150. Aside from the Corrupted List retained by MRS, contrary to its obligation to sell MRS "closed end first lien mortgage loans," a significant portion of the loans sold to MRS were unsecured mortgage deficiency claims remaining after the mortgages had been foreclosed by the Defendants.

151. Unbeknownst to Plaintiff, Chase had intended to release the liens on these foreclosed loans to avoid reputational risk to Chase from government oversight.

152. In many instances, the properties were occupied by people who had purchased the properties from the Defendants following foreclosure by the Defendants.

153. In many instances, collection of the deficiency claims was barred by applicable state law.

154. Nevertheless, Chase sold these loans to MRS as first lien mortgage loans.

155. Schneider promptly and repeatedly reported this situation to Defendants but they took no action to remedy their breach.

*c. Chase sold MRS loans it did not own*

156. Despite its representation and warranty that Chase "is the owner of the Mortgage Loans and has full right to transfer the Mortgage Loans," a significant portion of the loans listed on Exhibit A were not directly owned by Chase.

157. Upon information and belief, some of the loans sold to MRS were RMBS trust loans which Chase was servicing. Chase had transferred these to MRS in order to avoid non-reimbursable advances and expenses. The unlawful transfer of these loans to MRS as part of the portfolio of loans sold under the MLPA aided the Defendants in concealing Regulatory non-compliance and fraud while increasing the liabilities of MRS.

158. When Schneider discovered this, he immediately reported it to Chase.

159. Chase refused to take any action to remedy this breach.

*d. Chase failed to comply with applicable law*

160. Contrary to its representation and warranty that "Each Mortgage Loan complies in all material respects with all applicable federal, state, or local laws," MRS discovered that Chase had failed to comply with nearly all such laws. MRS later discovered that Chase's desire to escape the consequences of its long-running violations was the primary motivation for Chase to off-load these loans onto MRS.

161. Chase committed, *inter alia*, the following violations of law with respect to the loans sold to MRS:

- a. Chase transferred the servicing of the mortgage loans to and from multiple unlicensed and unregulated debt collection agencies which lacked the mortgage servicing platforms to account for or service the borrowers' loan with any accuracy or integrity.

- b. Chase knowingly provided collection agencies with false and misleading information about the borrowers.
  - c. Chase failed to provide proper record keeping for escrow accounts.
  - d. Chase stripped loan files of most origination documentation, including federal disclosures and good faith estimates, thus putting MRS in a position where it was unable to respond to borrower or regulatory inquiries.
  - e. Chase failed to provide any accurate borrower payment histories for any of the loans in the MLPA.
  - f. Chase knowingly executed assignments of mortgage to MRS for mortgage loans that Defendants knew had been foreclosed and sold to third parties.
  - g. Chase circumvented its own operating procedures and written policies in connection with servicing federally-related mortgage loans by removing the loans from its primary record-keeping platform and creating an entry in its RCV1 repository. This had the effect of denying the borrowers their rights concerning federally related mortgages yet allowed Chase to retain the lien and the benefit of the security interest,
  - h. Chase included on Exhibit A loans that it had previously sold to third parties and loans that it had never owned.
  - i. Chase knowingly and deliberately changed the loan numbers of numerous valuable loans sold to MRS after the MLPA had been fully executed and in force. This allowed Chase to accept payments from borrowers whose loans had been sold to MRS without its own records disclosing the wrongful acceptance of such payments.
- e. Chase misrepresented the quantity and value of sold loans*

162. The MLPA specifies that Chase sold to MRS 3,259 closed-end first lien mortgage loans with a total principal balance of \$156,324,613.80 as set forth on Exhibit A.

163. However, Exhibit A shows different amounts owed for the same loan.

164. MRS has attempted to painstakingly reconcile the information on the corrupted Exhibit A to determine the correct information for loans it was to have purchased and to date, Defendants have not provided full information on all the loans that it purchased.

*f. Chase misrepresented the principal balance of the sold loans*

The MLPA states that the aggregate principal balance of the sold loans was \$156,324,613.80 as set forth on the corrupted Exhibit A Chase provided. However, the Corrupted List totaling \$156,324,613.80 did not reveal the principal balance of each loan. Instead, it listed the amount Chase charged off, which included the principal balance, the unpaid interest, late fees, property tax advances, and customary default servicing fees.

*g. Chase failed to provide MRS with assignments of the notes and mortgages*

165. Chase breached the MLPA, and exercised exclusive control of the loans purportedly sold to Plaintiffs, by failing to provide MRS with assignments of the notes and mortgages for each of the loans listed on Exhibit A.

166. By refusing to provide assignments of the notes and mortgages, Chase prevented MRS from realizing the value of the purchased loans, and allowed Chase to offload the loans when it was convenient for them to do so.

167. Chase's failure to provide the assignments of the notes and mortgages was not an act of negligence. As events unfolded, it became clear that Chase failed to provide the assignments of the notes and mortgages because it wanted, in selective instances, to continue to treat the sold loans as its own property.



*h. Chase converted payments from borrowers whose loans it had sold*

168. On December 19, 2009, Solomon emailed Schneider informing him of Payments due to the MRS Sale, stating in pertinent part:

*I have pulled a report of the pmts due to you since the Feb sale. There are issues due to dupe acct # project or something Larry Sandra says you know about? So some of these accts your groups can't find under certain acct #'s because we changed them???* Anyway, I'm going thru to see what is valid and what is not - I will send updates as I know. For your benefit, I'm going thru the largest pmts first to get them going. Here is your first one I just ordered ACCOUNT NUMBER . 19044379 XXXXXX \$20,000 pmt on 5/26/09, this was a settlement negotiated. [Borrower Name Redacted by Plaintiff]

169. On December 19 2009, Chase employee, Solomon, sent a list of payments which she claimed were owed to MRS which included for example:

- Jimmy Bell 2,500.00 for payments received between February and September 2009
- Randolph Johnson \$3,350.00 for payments from April through December 2009
- Millie Arnold \$3,565.36 for a payment on May 2009
- Litteton Organ \$1,259.30 for payment on May 2009
- Ryan Fisher \$1,023.10 for payment on May 2009
- James Piester \$1,576.70 for April 2009
- Ida Smith for \$320.00 for payment February 18, 2009
- Angela Overdorf \$337.00 for payments in February 2009
- Sandra Tynan \$500.00 for payment on March 2, 2009
- Cindel Phillips \$4,426.65 for payment March through November 2009
- Judith Sanders \$4,600 for payments March through October 2009
- David Wisenbaugh \$4,237.42 for payments February through August 2009

170. However, on December 29, 2009, Solomon emailed Schneider informing him that some payments would not be coming because a code was changed and it was "not reversible."

171. Specifically, according to the December 19, 2009 email, MRS was to expect a \$20,000.00 payment for a settlement which Defendants negotiated with the buyer on the loan sold to and owned by MRS, without MRS' knowledge. Defendants chose to keep the monies due MRS and changed the coding to "Corporate Advance", effectively converting the proceeds and interfering with the possessory rights of MRS.

172. Moreover, despite its sale to MRS of the loans actually listed on the Corrupted List, after those loans were sold to MRS, and despite MRS' continued request for complete information, Chase continued collection on the same RCV1 accounts and for example, (1) sent letters to borrowers whose loans were sold, (2) had collection agencies send letters to borrowers whose loans were sold, and (3) directed the borrowers to make payments to Chase.

173. In these letters, Chase represented directly, or through the collection agency, in contravention of its contracts with Plaintiffs, that it owned the loans and/or was the authorized servicer of the loan.

174. Chase also continued to collect payments from insurance carriers on mortgaged properties whose loans it had sold to Plaintiff entities. For example, one of the loans that Chase sold to MRS under the MLPA on February 25, 2009 was a purported first mortgage loan to Vahe Kevorkyants. The loan ultimately turned out to be a HELOC for \$250,000 of March 23, 2007. Unbeknownst to Plaintiffs at the time of purchase, on June 27, 2008, Chase had filed a title insurance claim with XL Insurance America ("XL") claiming that it was insured for a first mortgage when in fact, its mortgage was in third position.

175. In its letter to the borrower regarding JP Morgan Chase's actions, XL Insurance America indicated that although underwriting notes suggested JP Morgan investigated the title to the property prior to approving the claimed loan, XL Insurance asked the borrower to assist in investigating whether the JP Morgan Chase had in fact obtained a full title search and to provide XL Insurance America with the report. In the fall of 2009, months after the sale of the mortgage loan to MRS through the MLPA, Chase received and failed to forward to MRS \$250,000 that it received from XL Insurance America.

*i. Chase recalled the valuable loans sold under the MLPA*

176. In March and April 2009, Chase notified MRS that it was "recalling" a number of loans, including the most valuable loans in the loan pool – the “cherries” that Guerrero used to induce Schneider to purchase the portfolio. Chase ultimately recalled \$6 million in loans. Notably, none of the loans recalled by Chase in March or April of 2009 had included the Kevorkyant loan.

177. Specifically, on March 24, 2009, Solomon notified Schneider on two occasions, that Chase was recalling loans sold to MRS.

Email to L. Schneider of March 24, 2009 at 11:07am:

ACCOUNT NUMBER . 10272177 XXXXX Previously sold  
ACCOUNT NUMBER . 22899546 XXXXX Previously sold  
ACCOUNT NUMBER . 100900006360033697 XXXXX Previously sold

Email to L. Schneider of March 24, 2009 at 11:33am:

ACCOUNT NUMBER . 10690550 XXXXX Previously paid  
ACCOUNT NUMBER . 10728806 XXXXX Previously paid  
ACCOUNT NUMBER . 100001415520375847 XXXXX Previously paid

[Borrowers Names Redacted by Plaintiff]

178. When Schneider objected, Chase personnel claimed that these loans were included by mistake. Chase personnel then represented to Schneider that Chase would pay for the recall of the loans by providing additional loans in an amended Exhibit A. Chase did not fulfill this promise to MRS.

179. On April 9, 2009, Guerrero emailed MRS and stated Chase was recalling over 50 loans sold in the MLPA which Guerrero identified by loan number and specific prefixes.

180. As of this time, Chase had still not delivered to MRS any of the original loan documentation.

181. The recalling of the loans was a direct violation of the MLPA which prohibited

buybacks. See Exhibit 4 Section 6(c).

182. Despite contracting to sell loans it had hidden in its RCV1 repository, and marking these loans as "SOLD" to avoid reputational risk, Chase duplicitously left itself a back door to undertake any actions with these RCV1 loans.

183. MRS never received all of the loan files or assignments, hence, MRS was powerless to prevent Chase from recalling these loans. MRS could do nothing more at that time except cooperate, in the hopes that Defendants would supply the proper data tapes and files for the remaining mortgage loans.

184. On October 31, 2009, Guerrero passed away mysteriously at the age of 29. Prior to his death, Guerrero had told Schneider he was putting together an updated Exhibit A to the MLPA which would correct all the errors in the Corrupted List and reimburse MRS for the loans it recalled.

185. Under New York law, a party that breaches a contractual representation or warranty is liable to the injured party for the difference in the value of the contract between what the contract would have been worth, but for the breach of warranty, and what the contract was actually worth as a result of the breach of warranty.

186. Based on the historic performance of the over two hundred plus 1<sup>st</sup> lien mortgages the Schneider Entities had purchased in the past, if Chase had complied with the express warranties in the MLPA – MRS would have realized approximately \$300 million from the 3,529 purchased loans.

**MRS' efforts to mitigate damages**

187. On November 13, 2009, Schneider sent an email to Mark Davis, Senior Vice President of Recovery for Chase and Chad Paxton, Vice President of Relationship Management at

Chase. In this email, Schneider explained that approximately 2/3 of the loans listed on the Corrupted List were coded incorrectly and were mortgage deficiencies, not first mortgage loans. Schneider urged Davis and Paxton to reimburse MRS adequately for these loans and the expenses and liabilities MRS had incurred as a result of the inaccuracies on the Corrupted List.

188. Schneider received a response to his emails from Patrick "Mike" Boyle, Vice President of Loss Mitigation Recovery, who explained that he had recently assumed leadership for recovery operations and he wanted to get "a full understanding of the efforts . . . underway prior to [Mr. Guerrero's] passing, and move forward as appropriate." On December 9, 2009, Schneider sent Boyle an email confirming a conversation they had regarding Chase's exposure to potential liability as a result of its mishandling of certain defaulted loans.

189. On December 9, 2009, Schneider sent Boyle an email confirming a conversation they had regarding Chase's exposure to potential liability as a result of its mishandling of certain defaulted loans.

190. Later in December 2009, Chase sent MRS a Post-MLPA List that purported to include an additional 850 loans "sold" to MRS. However, the additional partial list of 850 loans were loans where Chase had acted in violation of law and had been flagged by Chase as part of a lien release project. Chase by its actions was seeking to off-load its liability onto MRS.

**Defendants' Fraud and RICO Scheme Caused Damage To Plaintiffs and Others**

191. As part of the Defendants' Fraud and RICO Scheme to evade legal and regulatory compliance, as outlined *supra*, the Schneider Entities have been injured by Defendants' subsequent and ongoing post-MLPA fraud and misconduct in relation to the loans Defendants sold to the Schneider Entities, including the following acts:

- Defendants have continued to approve short sales on properties subject to loans that

Chase Home had previously sold to one or more of the Schneider Entities.

- Defendants have wrongfully directed enforcement agencies seeking to investigate complaints by homeowners regarding Defendants' violations of servicing and other obligations to the Schneider Entities as the responsible party. This has forced and continues to force the Schneider Entities to incur significant expenses in dealing with the governmental entities and, more significantly, potentially exposes the Schneider Entities to damages for Defendants' violations of laws.

- Defendants and collection agencies working on Defendants' behalf have sent written correspondence to borrowers of loans sold to the Schneider Entities misrepresenting that Chase or the collection agency owned the loan at issue and/or was the authorized servicer for the loans at issue.

- Defendants have misrepresented to borrowers that Chase had reacquired their loans, and that the borrowers should make payments to Chase.

- Defendants falsely represented to certain borrowers that their loans had been transferred to one of the Schneider Entities when, in fact, the Schneider Entities never acquired the loans at issue. Such false statements have led to significant damages to and potential liability for the Schneider Entities, including prompting complaints to be filed with various state and federal agencies and impeding the ability of the Schneider Entities to generate new business.

- The deficient records maintained and provided by Defendants have impeded the Schneider Entities' ability to respond to borrower inquiries about loan balances, payment histories and other information relating to their loans.

- Between September 2012 and, upon information and belief, through 2016, Defendants mailed debt Forgiveness Letters to thousands of defaulted borrowers whose loans were

in the RCV1 queue, including borrowers whose loans Chase had previously sold to one or more of the Schneider Entities. As a result, a number of borrowers informed the Schneider Entities that they would no longer be making payments on their mortgages.

- Defendants have engaged in a practice of wrongfully releasing and discharging liens on properties that served as collateral for loans sold to the Schneider Entities. The scores of lien releases are ongoing, and targeted at the Schneider Entities, despite the Schneider Entities' repeated written notices to Chase that those releases are improper.

192. Between September 2012 and January 2013, Chase sent over 50,000 Forgiveness Letters telling borrowers, many of whose loans now were owned by Plaintiffs, that their debt was forgiven pursuant to the National Mortgage Settlement. All of these letters were signed by Patrick Boyle as Vice President of the Bank.

193. On December 5th, 2012, Chase notified the Schneider Entities that it had incorrectly sent debt forgiveness letters to 23 debtors where the loan was owned by 1st Fidelity or S&A and not Chase. The letter stated the following:

As part of the recent mortgage servicing settlement reached with the states and federal government, JPMorgan Chase, N.A. (Chase) elected to participate in a second lien extinguishment program. Because of this, we sent letters to certain customers notifying them that we were extinguishing their debt with Chase and releasing the associated lien. However, we subsequently found that several of your customers received this letter in error because of an incorrect coding entry. These customers and their respective loans were identified and are appended to this letter and referenced as "Exhibit A." We apologize for any inconvenience this may have caused you.

See Exhibit 7 hereto.

194. Plaintiffs were provided the option to sell back the loans for 1.5x the purchase price or have retraction letters sent. Due to uncertainty regarding the effectiveness of a retraction letter,

S&A agreed to sell back all 11 of its loans. 1st Fidelity agreed to only sell back 2 loans, believing it would be able to successfully communicate the error to the borrowers and collect on the remaining 10 loans.

195. The 13 loans sold back to Chase for \$105,375 had a principal balance outstanding at the time (per Chase) of \$496,668.19 (Chase paid the Plaintiffs 21% of the outstanding balance).

196. The 10 loans NOT sold back to Chase had a principal balance outstanding at the time (per Chase) of \$775,073.84 (Chase offered to pay Plaintiffs only 13% of the outstanding balance).

197. Plaintiffs have no reason to believe that this represents the totality of 1st Fidelity and S&A borrowers that Chase has sent forgiveness letters to, and Chase has provided no data proving it is the case.

198. Chase did not own the loans of thousands of the recipients of the Forgiveness Letters, scores of whose loans had been acquired by the Plaintiffs long before 2012. Annexed hereto as Exhibit 5 are copies of the Forgiveness Letters S&A knows were sent to borrowers whose loans it had purchased. Annexed hereto as Exhibit 6 are copies of the Forgiveness Letters 1<sup>st</sup> Fidelity knows were sent to borrowers whose loans it had purchased.

199. With respect to each of the forgiven loans, including the loans previously sold to Plaintiffs, Chase at least intended to and in some cases took credit towards the \$4.2 billion consumer relief requirement in the NMS Consent Judgment for the total indebtedness due under the loan including principal, interest, and expenses.

200. Additionally, many of the S&A and 1<sup>st</sup> Fidelity borrowers whose loans Plaintiffs had purchased from Chase and who received the Forgiveness Letter refused to make further payments to the Plaintiffs because they had received a Forgiveness Letter from the Bank.



201. When Schneider first confronted Bank personnel with the fact that it had forgiven loans it had previously sold to the Plaintiffs, the Bank refused to admit what it had done. As more and more borrowers received Forgiveness Letters, Chase acknowledged there was an error but could not quantify the number of affected borrowers. Chase then asked for an entire list of loans which its entities had sold to the Plaintiffs since 2005 so that it could attempt to determine the number of affected borrowers whose loans had been sold to the Plaintiffs. Finally, in November 2012, Chase offered to buy back the loans it had forgiven of which the Plaintiffs were aware and sent out the December 5, 2012 correspondence confirming same (See Exhibit 7).

202. Plaintiffs agreed to sell back to the Bank some of the loans for which borrowers were sent Forgiveness Letters but only on the condition that the Bank would send retraction letters to the other affected borrowers indicating that the Bank made an error and, as a result, the borrower should continue to make its payments to the Plaintiff.

**S & A Borrowers who received 2<sup>nd</sup> Lien Extinguishment Letters From Defendants**

203. On November 22, 2006, S&A purchased a \$35,730 mortgage loan from Chase. The borrowers on the loan were Carol Laug and Garry Keeton (“Laug Loan”). The Laug Loan was originated on January 24, 2001. The Assignment of Mortgage Agreement was signed by Patricia Lopez, Corporate Executive Officer for Chase.

204. On September 13, 2007, S&A purchased a \$16,132 mortgage loan from Chase. The borrowers on the loan were Allen and Gloria Bradley (“Bradley Loan”). The Bradley Loan was originated on April 26, 2000. The Assignment of Mortgage Agreement was signed by Patricia Lopez, Corporate Executive Officer for Chase and prepared by Launi Solomon, Corporate Executive Officer for Chase.

205. On September 26, 2007, S&A purchased a \$29,000 mortgage loan from Chase. The

borrowers on the loan were Frank Demske and Barbara Yockey (“Yockey Loan”). The Yockey Loan was originated on November 20, 2000. The Assignment of Mortgage Agreement was signed by Patricia Lopez, Corporate Executive Officer for Chase and prepared by Launi Solomon, Corporate Executive Officer for Chase.

206. On September 27, 2007, S&A purchased a \$9,844 mortgage loan from Chase. The borrowers on the loan were Jerry and Linda Grimm (“Grimm Loan”). The Grimm Loan was originated on March 8, 2001. The Assignment of Mortgage Agreement was signed by Patricia Lopez, Corporate Executive Officer for Chase and prepared by Launi Solomon, Corporate Executive Officer for Chase.

207. On September 18, 2007, S&A purchased a \$25,000 mortgage loan from Chase. The borrower on the loan was Randy Frazier (“Frazier Loan”). The Frazier Loan was originated on July 28, 2004. The Assignment of Mortgage Agreement was signed by Patricia Lopez, Corporate Executive Officer for Chase.

208. On June 24, 2008, S&A purchased a \$91,000 mortgage loan from Chase. The borrower on the loan was Diane Busza (“Busza Loan”). The Busza Loan was originated on December 21, 2005. The Assignment of Mortgage Agreement was signed by Patricia Lopez, Corporate Executive Officer for Chase and prepared by Launi Solomon, Corporate Executive Officer for Chase.

209. On March 22, 2010, S&A purchased a \$20,200 mortgage loan from Chase. The borrower on the loan was Dianna Goodwin (“Goodwin Loan”). The Goodwin Loan was originated on June 28, 2004. The Assignment of Mortgage Agreement was signed and prepared by Launi Solomon, Corporate Executive Officer for Chase.

210. On July 23, 2010, S&A purchased a \$79,000 mortgage loan from Chase. The borrowers on the loan were Dorothy and Jeffery Vance (“Vance Loan”). The Vance Loan was originated on May 4, 2006. The Assignment of Mortgage Agreement was signed and prepared by Launi Solomon, Corporate Executive Officer for Chase.

**The Lossow Loan**

211. S & A purchased a loan from Chase secured by a second mortgage. On August 4, 2009, Chase executed an assignment of the second mortgage, which was recorded on November 5, 2009 in the appropriate registry of deeds. Larry Schneider (“Schneider”), in his capacity as the primary representative of S & A, had been communicating and working with the Borrowers, Steven Lossow and Deborah Lossow (“Borrowers”).

212. Soon thereafter, Borrowers informed S&A that the first lender, Chase, was foreclosing due to non-payment. The Borrowers then ceased communications with S & A.

213. Upon review of the public records, S & A discovered that the property had been sold by the Borrowers and the Deed recorded on December 7, 2011.

214. The closing attorney of the transaction confirmed that Chase had approved a short sale of the property, and Chase had received and applied a payoff on both Chase’s first loan and S&A’s second loan.

215. Pursuant to a Facsimile from Zelia Frias, paralegal for closing attorney, to Robert Di Marco dated May 25, 2012, containing short sale approval letter from Janet Joh, Chase Representative, to Borrower dated December 7, 2011, Chase advised the money that was wired for the transaction was “[a]pplied and closed two accounts for the Sellers”.

216. On May 25, 2012, Schneider electronically contacted Chase employees Janet Joh and Julio Escobedo, Ms. Joh's supervisor, notifying them of the situation and requesting that the situation be remedied by Chase.

217. Shortly thereafter, Schneider followed up with a telephone call to Ms. Joh but was advised Ms. Joh told Schneider not to contact her again and hung up on him.

218. Schneider proceeded to leave voicemail messages and emails for Mr. Escobedo, however, he refused to respond to Schneider as well.

219. On Monday, October 1, 2012, Schneider reached out to Mr. Kassem to notify him of the situation and the lack of response by Chase representatives and Mr. Kassem responded by indicating "I'm amazed both these Chase folks never responded back. Or at least a manager."

220. Chase representatives were instructed not to communicate in any manner with S & A or any related entities.

221. The order not to communicate with S&A has made it impossible for this matter to be resolved by S & A.

222. To date Chase has not forward payment to S&A.

**S & A vs. Maureen Walton-Preis**

223. On January 14, 2010, S & A acquired a loan secured by a second mortgage from Chase. On January 25, 2010, Chase executed an assignment of the second mortgage which was recorded on February 8, 2010 in the appropriate registry of deeds. After more than a year of negotiations with the Borrower and subsequent legal action by S & A, S & A and the Borrower executed a Stipulation Agreement. The Borrower had performed on the parties' Stipulation Agreement, making regular monthly payments from January 2011 through October 2013.

224. On or about October of 2012, the Borrower began to receive correspondence from Real Time Resolutions (“Real Time”) a debt collection agency working for Chase (Letter from Real Time Resolutions to the Borrower dated October 19, 2012.) In that correspondence, Real Time indicated its authority to release Chase’s lien on the property for 35% of the amount secured by the lien.

225. Over the next several months, the Borrower continued to receive written correspondence from Real Time, accompanied by harassing phone calls. The substance of the correspondence dating between March 8, 2013 and July 15, 2013 from Real Time changed several times, varying between claims that Real Time owned the loan itself to Real Time serviced the loan for Chase.

226. On July 29, 2013, Real Time, on behalf of Chase, sent a letter to the Borrower offering repayment options and stating that the debt of \$38,133.12 carries no interest rate.

227. This amount erroneously took into account the amount of money S&A paid for the loan years earlier as a payment toward the Borrower’s debt. In effect, S & A was considered a payee of the loan, and no interest had accrued based upon Chase’s “servicing” of the loan during those intervening three years. The accrual of zero interest over more than three years violated all mortgage servicing and consumer protection laws.

228. Borrower sought to correct the issue with Chase and Real Time. Chase and Real Time both confirmed in writing that they would research the matter.

229. Subsequently, by letters from Real Time to the Borrower dated May 24, 2013 and dated July 10, 2013, Chase informed the Borrower in writing that it owned the loan and that Real Time was the authorized agent for service. The Borrower then retained counsel and threatened legal action against S & A.

230. On October 7, 2013 by letter, Borrower's counsel, Attorney Bottiglieri, received direction from Alex Winters, a representative of Real Time, that the Borrower should cease all payments to S & A and demand that all payments made to date be returned.

231. On October 7, 2013, S&A received a letter from the Attorney for the Borrowers claiming that S&A was violating RESPA, threatening legal action against S&A and indicating that Real Time had directed his client to cease making payments to any other entity.

232. Furthermore, the letter stated that Real Time had not credited any payments to the Borrower's account since Real Time received the mortgage from Chase, and demanded that all payments be transferred to Chase.

233. On November 21, 2013, S & A was notified by its bank that the Borrower's November 2013 payment was revoked.

234. Chase representatives were instructed to not communicate in any manner with S & A or any related entities, thus making it impossible for this matter to be resolved by S & A.

235. Chase has not retracted its false statements and fraudulent acts.

236. The matter remains open at the time of this writing, and the borrower has refused to make any payments and has threatened litigation if Plaintiffs attempt to do so.

**1st Fidelity Borrowers who Received 2<sup>nd</sup> Lien Extinguishment Letters From Defendants**

237. Between 2009 and 2010, 1<sup>st</sup> Fidelity entered into several agreements to purchase non-performing closed end first and second mortgage loans from Chase.

238. On October 14, 2009, 1<sup>st</sup> Fidelity purchased a \$50,000 mortgage loan from Chase. The borrowers on the loan were Jacob Rossatto and Miriam Alvarez ("Rossatto Loan"). The Rossatto Loan was originated on October 6, 2006. The Assignment of Mortgage Agreement was signed and prepared by Eddie Guerrero, Corporate Executive Officer for Chase.

239. On October 14, 2009, 1<sup>st</sup> Fidelity purchased a \$90,000 mortgage loan from Chase. The borrower on the loan was Matthew Di Minno (“Di Minno Loan”). The Di Minno Loan was originated on September 20, 2006. The Assignment of Mortgage Agreement was signed and prepared by Eddie Guerrero, Corporate Executive Officer for Chase.

240. On October 14, 2009, 1<sup>st</sup> Fidelity purchased a \$190,000 mortgage loan from Chase. The borrowers on the loan were Yvonne and Edward Harrity (“Harrity Loan”). The Harrity Loan was originated on March 8, 2006. The Assignment of Mortgage Agreement was signed and prepared by Eddie Guerrero, Corporate Executive Officer for Chase.

241. On October 14, 2009, 1<sup>st</sup> Fidelity purchased a \$60,400 mortgage loan from Chase. The borrowers on the loan were Marvin and Cassandra Cornish (“Cornish Loan”). The Cornish Loan was originated on January 27, 2006. The Assignment of Mortgage Agreement was signed and prepared by Eddie Guerrero, Corporate Executive Officer for Chase.

242. On October 14, 2009, 1<sup>st</sup> Fidelity purchased a \$37,000 mortgage loan from Chase. The borrowers on the loan were Saleh Ahmed and Beverly Ahmed (“Ahmed Loan”). The Ahmed Loan was originated on May 21, 2007. The Assignment of Mortgage Agreement was signed and prepared by Eddie Guerrero, Corporate Executive Officer for Chase.

243. On October 30, 2009, 1<sup>st</sup> Fidelity purchased a \$60,400 mortgage loan from Chase. The borrowers on the loan were Vito Derosa and Nicolette Derosa (“Derosa Loan”). The Derosa Loan was originated on October 19, 2005. The Assignment of Mortgage Agreement was signed and prepared by Launi Solomon, Corporate Executive Officer for Chase.

244. On October 30, 2009, 1<sup>st</sup> Fidelity purchased a \$100,000 mortgage loan from Chase. The borrower on the loan was Irene Williams (“Williams Loan”). The Williams Loan was

originated on January 7, 2005. The Assignment of Mortgage Agreement was signed and prepared by Launi Solomon, Corporate Executive Officer for Chase.

245. On November 4, 2009, 1<sup>st</sup> Fidelity purchased a \$25,000 mortgage loan from Chase. The borrower on the loan was Teresa Hancock (“Hancock Loan”). The Hancock Loan was originated on March 31, 2006. The Assignment of Mortgage Agreement was signed and prepared by Launi Solomon, Corporate Executive Officer for Chase.

246. On November 10, 2009, 1<sup>st</sup> Fidelity purchased a \$44,000 mortgage loan from Chase. The borrowers on the loan were William Spence and Laura Spence (“Spence Loan”). The Spence Loan was originated on June 20, 2005. The Assignment of Mortgage Agreement was signed and prepared by Launi Solomon, Corporate Executive Officer for Chase.

247. On January 15, 2010 1<sup>st</sup> Fidelity purchased a \$19,950 mortgage loan from Chase. The borrowers on the loan were George and Theresa Lawwill (“Lawwill Loan”). The Lawwill Loan was originated on April 5, 2005. The Assignment of Mortgage Agreement was signed and prepared by Launi Solomon, Corporate Executive Officer for Chase.

248. 1<sup>st</sup> Fidelity did not agree to sell back most of the affected loans because Chase did not offer a reasonable price.

249. The borrowers on some of the loans that 1<sup>st</sup> Fidelity did not agree to sell back to Chase filed complaints against 1<sup>st</sup> Fidelity with various governmental agencies on the ground that their loans had been forgiven by Chase.

#### **The Warwick debt forgiveness**

250. Chase sold to 1<sup>st</sup> Fidelity, on September 24, 2009, a second mortgage on property owned by Robert W. Warwick and Lauren D. Warwick. Chase executed an assignment of



mortgage to 1<sup>st</sup> Fidelity, which was recorded on December 11, 2009. The borrowers entered into a payment plan with 1<sup>st</sup> Fidelity and were making monthly payments in accordance with that plan.

251. On September 13, 2012, 34 months after selling the loan to 1<sup>st</sup> Fidelity, Chase sent the Warwicks a letter extinguishing the second mortgage and canceling the debt in the amount of \$167,003.51. See Exhibit 8 hereto.

252. 1<sup>st</sup> Fidelity pleaded with Omar Kassem (“Kassem”), Portfolio Manager at Chase, to issue a retraction letter to each of the borrowers whose debt Chase had wrongfully forgiven but Chase refused to do so.

253. On October 5, 2012, Schneider notified Kassem that the Warwicks had ceased making payments to 1<sup>st</sup> Fidelity and he asked Kassem to send a retraction letter to the Warwicks. Kassem refused to do so.

254. On December 12, 2012, 1<sup>st</sup> Fidelity received a letter from the State of Maryland, Department of Labor, Licensing and Regulation, Division of Financial Regulation stating that the Warwicks had filed a complaint against Chase and requesting that 1<sup>st</sup> Fidelity cease all collection activity until the investigation was completed. Enclosed with the letter was a statement by an investigator for the State of Maryland questioning “whether Chase is somehow getting credit from a write off they never actually have to honor.” See Exhibit 9 hereto.

255. On January 28, 2013, Chase agreed to repurchase from 1<sup>st</sup> Fidelity, the Warwick second mortgage loan along with two other loans with similar circumstances for their full face value totaling \$428,053.61.

**The Ahmed Debt Forgiveness**

256. In other instances, Chase refused to buy back the loans even though it had wrongfully sent a forgiveness letter to a borrower on a loan that it had sold to the Plaintiffs. For example, in September 2012, 1<sup>st</sup> Fidelity was in the process of foreclosing on a second mortgage executed by Saleh Ahmed and Beverly Ahmed that 1<sup>st</sup> Fidelity had acquired from Chase in October 2009.

257. On September 13, 2012, Chase issued a Forgiveness Letter to the Ahmeds notifying them that Chase was cancelling their debt of \$42,543.97 as a result of the NMS Consent Judgment.

258. On October 5, 2012, Schneider notified Kassem that the Ahmeds were threatening to report 1<sup>st</sup> Fidelity to the Attorney General of Oklahoma for seeking to wrongfully recover a cancelled debt. Kassem refused to take any action to rectify the situation.

259. In December 2012, Schneider informed Kassem that 1<sup>st</sup> Fidelity had to postpone a foreclosure sale and he continued to plead with Kassem to have Chase buy back the loan at full face value to prevent further harm to 1<sup>st</sup> Fidelity and the affected borrower.

260. On January 9, 2014, the Ahmeds filed an answer in the foreclosure action in which they asserted as a defense that the loan was used by Chase to satisfy the consumer relief requirements in the NMS Consent Judgment. See Exhibit 10 hereto. Yet, to date, Chase has refused to buy back the Ahmeds' loan from 1<sup>st</sup> Fidelity.

**The Hancock-Roberts Debt Forgiveness**

261. On August 27, 2009, 1st Fidelity purchased a loan from Chase that was secured by a second mortgage on property owned by Teresa M. Hancock-Roberts. Chase executed an assignment of the second mortgage on November 4, 2009, which was recorded on August 6, 2010.

Hancock-Roberts entered into a payment plan with 1st Fidelity and performed consistent with the terms of the payment plan. On September 13, 2012, Chase sent Hancock-Roberts a Forgiveness Letter cancelling a debt of \$28,209.15 as a result of the NMS Consent Judgment. (See Exhibit 11 hereto)

262. Hancock-Roberts stopped paying 1st Fidelity after she received the debt forgiveness letter.

263. Hancock-Roberts filed a complaint against 1st Fidelity with the State of Connecticut Department of Banking which was forwarded to the Federal Trade Commission and the Consumer Financial Protection Bureau, which launched an investigation.

264. Hancock-Roberts has not made any further payments to 1st Fidelity and has threatened to file additional complaints if any collection attempts are pursued by 1st Fidelity.

265. According to a February 25, 2013 email between McPhillips, Oquendo, White Barbieri, Satterfield, Boyle Mudick and Palazzo, Chase was aware that loans owned by the Schneider's 1st Fidelity and S & A Capital entities were harmed by Defendants and their associates in fact.

266. Schneider pleaded with Chase to send a retraction letter to Hancock-Roberts but Chase has refused to do so.

**Chase Quietly Releases First Mortgage Liens to Evade Regulation X and Metrics of Settlements**

267. After encountering several severe business disruptions that significantly impacted the Schneider Entities' ability to service its mortgage pools, including the second lien forgiveness letters by Chase discussed *supra*, and the continued collection on debts owned by 1st Fidelity and S&A, Plaintiffs conducted title searches on all of its active first lien mortgages. During this investigation, Plaintiffs realized that Chase illegally released the liens of 57 loans owned by 1st

Fidelity and S&A worth \$2,562,837. Additionally, during the discovery process, the Schneider Entities learned that Chase released or attempted to release the liens on 550 loans it purportedly sold to MRS worth \$23,673,169. A list of *known* lien releases can be found at Exhibit 12 hereto.

268. Chase accomplished this by quietly releasing thousands of liens, without the knowledge of the borrowers whose liens were released, and despite the fact that hundreds of these loans had been sold several years earlier to the Plaintiffs. Despite releasing these liens to avoid its legal responsibilities, Chase created blight and continued to collect on the debt of these borrowers.

269. On October 10, 2013, according to a Chase document summarizing the meeting minutes of the Walk Population Review, “Lisa Shepherd announced that the lien release team may begin immediately releasing the liens according to their schedule. All of the 1<sup>st</sup> and 2<sup>nd</sup> liens must be released by December 31, 2013.”

270. Thus, the massive purge of anti-blight responsibilities began on October 20, 2013, when Chase embarked on a new scheme to defraud the Plaintiffs’ borrowers when it released liens on thousands of properties where it had abandoned its servicing responsibilities despite local, state and federal requirements to properly service first lien federally related mortgage loans and despite its responsibility to offer government sponsored loan modification programs.

271. MRS loans were lien released by Defendants

272. 1<sup>st</sup> Fidelity mortgages were lien released by Defendants.

273. S & A Capital loans were lien released by Defendants.

274. The lien releases were processed through Defendants’ third party lien release provider, Nationwide Title Clearing (“NWTC”). Nationwide Title would enter into a consent decree with the state of Illinois, 12 CH 03602, October 31, 2013, agreeing not to sign a document unless the person signing the document performs substantive review of the information, ensuring

that affidavits executed by Defendant, are based on affiant's review and personal knowledge of the assertions in the affidavits, documents recorded by NWTC would accurately reflect the nature and substance of the transaction, NWTC would remediate any document found by a court to be a cloud on title or otherwise unlawful, or when reasonably necessary to assist any person or borrower, or when required by federal, state, or local law. In December 2015, NTC would again agree to remediate its practices in Florida.

275. According to the recorded documents on loans lien released by NWTC, as ordered by Defendants, NWTC Chief Information Officer Erika Lance claimed to have created the documents.

276. The lien releases were "robo-signed," that is, signed by persons lacking any knowledge as to the relevant facts concerning each lien, as hundreds of these loans were owned by the Plaintiffs. These lien releases were attested to under penalty of perjury.

277. The signatures of the notaries who executed the lien releases are significantly different from one another on numerous notarized documents.

278. In its eagerness to avoid liability for urban blight, Chase released liens on properties that Chase had previously sold to the Plaintiffs. Some borrowers who became aware of these lien releases then refused to continue making payments to Plaintiffs because they claimed the liens had been released. This caused Plaintiffs to lose the revenue on the loans where the liens had been released and, in many instances, exposed the Plaintiffs to litigation from the borrowers whose loans Plaintiffs purchased, as well as to regulatory action.

279. For example, S&A purchased from Chase a first mortgage loan to Patricia B. King. Chase executed an assignment of mortgage on February 16, 2010, which was recorded on March 15, 2010. See Exhibit 13 hereto. On October 25, 2013, S&A commenced foreclosure proceedings

because King was in default. On November 6, 2013, Chase executed a discharge of the first mortgage and recorded the discharge on November 19, 2013, despite the fact that Chase no longer owned the loan. See Exhibit 14 hereto.

280. Similarly, 1<sup>st</sup> Fidelity purchased from Chase a first mortgage loan to Mark Damstra. Chase executed an assignment of the mortgage on October 22, 2010, and the assignment was recorded in the appropriate registry of deeds on November 15, 2010. On November 21, 2011, 1st Fidelity, through counsel, sent a notice of intent to foreclose on the mortgage to Damstra and, thereafter, instituted foreclosure proceedings. On October 23, 2013, Chase executed a discharge of the first mortgage sold by Chase to 1<sup>st</sup> Fidelity, which was recorded in the appropriate registry of deeds on November 13, 2013. This made it impossible for 1<sup>st</sup> Fidelity to foreclose.

281. A review of public records reveals similarly robo-signed lien releases executed by signers purporting to be "Vice President or Secretary" of JPMorgan Chase. These releases of liens, which were previously sold to the Plaintiffs, has caused and continues to cause harm to the Plaintiffs.

282. A review of public records also reveals that Chase executed and caused to be filed into public records Vacation of Liens, and Vacations of Modifications that contained misleading and false information affecting property.

283. All of Chase's conduct, as described above, has interfered with the Plaintiffs' relationships with the borrowers whose loans Plaintiffs had purchased; caused substantial damage to the Plaintiffs' business reputation; forced the Plaintiffs to face the ire of governmental entities seeking to enforce property maintenance obligations against mortgage holders; and exposed Plaintiffs to accusations of predatory lending despite the fact that the Plaintiffs only sought to collect what they were legally entitled to collect from borrowers whose loans Plaintiffs

had purchased from Chase. Chase, on the other hand, received payment for the loans Plaintiffs had purchased from Chase.

284. On or before January 7, 2014, Defendants realized they once again harmed Plaintiffs' entities in their attempts to defraud the Federal and State Governments in various consent orders, and settlements.

285. According to a January 24, 2014 summary of meeting minutes, Chase decided to conceal its fraudulent scheme by "Lien Release Rescindment."

286. In order to accomplish this concealment, Defendants once again relied on the services of NWTC, in this unusual document requests to undo a fraudulent lien release. These communications occurred by wire and mail.

287. Despite Defendants' knowledge that it had once again harmed Plaintiffs in its ongoing schemes to increase profits and reduce expenses, Defendants purposefully did not inform Plaintiffs of its widespread fraud of its various lien release projects and protocols, as it would jeopardize the numerous ongoing schemes to defraud the Government, described *supra*, as to its claims of compliance with the 2011 Consent Orders with the Prudential Regulators, the Federal and State governments as to its compliance with the NMS and with its recent \$13B RMBS Settlement with the Agencies of the Federal Government. The schemes also defrauded its borrowers and the public as to Defendants' actual consumer relief assertions. Defendants engaged in a series of actions which violated MRS' rights under the MLPA. These actions include but are not limited to the following:

288. In some instances, Chase contacted borrowers and told them that Chase had reacquired the loan and that the borrowers had to make payments to Chase.

289. After the execution of the MLPA, Chase continued to use collection agencies to

collect payments from borrowers on the loans it had sold to MRS. In many cases, it retained all such payments.

290. In order to conceal its theft, after the execution of the MLPA, Chase changed the loan numbers of valuable loans that had been sold to MRS, where the borrowers were making monthly payments. After the execution of the MLPA, Chase continued to assert its right to proceeds of paid title insurance claims it had purchased on the mortgaged premises as mortgagee, including one payment of which MRS is aware for \$250,000.

291. In situations where government enforcement agencies contacted Chase to investigate Chase's conduct with respect to loans it had purportedly sold to MRS, Chase told the agencies to contact MRS as the responsible party.

292. In situations where government enforcement agencies contacted Chase to investigate Chase's conduct regarding violations with respect to loans which Chase still owned, and had not sold to MRS, Chase falsely told the agencies to contact MRS as the responsible party.

293. In situations where there were patent violations of law, Chase falsely represented to borrowers that their loans had been purchased by one of the Plaintiffs so as to deflect action by state and federal enforcement agencies against Chase.

294. When Plaintiffs tried to speak with Chase representatives to resolve these matters, the Chase representatives refused to speak to Plaintiffs.

**FIRST CLAIM FOR RELIEF**  
**Breach of Contract on behalf of MRS**

295. Plaintiffs repeat the allegations heretofore stated.

296. The MLPA is a valid and binding contract between MRS and Chase.

297. MRS has fully performed its obligations under the MLPA.



298. Defendants have breached the warranties made to MRS under the MLPA, *inter alia*, in the following ways (a) Chase sold non-conforming deficiency claims in place of first lien mortgage loans; (b) Chase withheld information and documents concerning the loans it sold to MRS; (c) Chase sold loans to MRS where Chase had violated applicable law; (d) Chase sold loans to MRS where Chase provided a corrupted data tape as Exhibit A to the MLPA; (f) Chase accepted and retained payments it received from borrowers and/or insurance companies on loans it had sold to MRS; and (g) Chase changed the loans sold, after the sale, by pulling valuable loans back and adding loans that violated loan servicing and consumer protection laws.

299. Defendants have further breached the MLPA and the implied obligation of good faith and fair dealing by forgiving the debt owed by borrowers on loans sold to MRS or releasing the liens securing loans sold to MRS, in order to falsely satisfy Chase's obligations under the NMSA Consent Judgment and the RMBS.

300. Defendants are liable to MRS for all of the damages caused by Chase's breach of the MLPA and the obligation of good faith and fair dealing implied in every contract governed by New York law.

WHEREFORE, Plaintiffs demand judgment against Defendants in an amount to be proven at trial, and such other and further relief as may be just, proper and allowable, including pre-judgment and post-judgment interest and the costs of this suit.

**SECOND CLAIM FOR RELIEF**  
**Breach of Contract on behalf of S & A**

301. Plaintiffs repeat the allegations heretofore stated.

302. S&A purchased loans from Defendants pursuant to valid and binding contracts between S&A and Chase.

303. S&A has fully performed its obligations under its agreements with Chase.

304. Defendants have breached the contracts it had with S&A by, *inter alia*, (a) releasing mortgage liens securing loans previously sold to S&A; (b) forgiving loans it had previously sold to S&A; and (f) accepting and retaining payments it received from borrowers and/or insurance companies on loans it had sold to S&A.

305. Defendants are liable to S&A for all of the damages caused by its breach of contract and the obligation of good faith and fair dealing implied in every contract governed by New York law.

WHEREFORE, S&A demands judgment against Defendants in an amount to be proven at trial, and such other and further relief as may be just, proper and allowable, including pre-judgment and post-judgment interest and the costs of this suit.

**THIRD CLAIM FOR RELIEF**  
**Breach of Contract on behalf of 1st Fidelity**

306. Plaintiffs repeat the allegations heretofore stated.

307. 1<sup>st</sup> Fidelity purchased loans from Chase pursuant to valid and binding contracts between 1<sup>st</sup> Fidelity and Chase.

308. 1<sup>st</sup> Fidelity has fully performed its obligations under its agreements with Chase.

309. Defendants have breached the contracts it had with 1<sup>st</sup> Fidelity by, *inter alia*, (a) releasing mortgage liens securing loans previously sold to 1<sup>st</sup> Fidelity; (b) forgiving loans it had previously sold to 1<sup>st</sup> Fidelity; and (c) accepting and retaining payments it received from borrowers and/or insurance companies on loans it had sold to S&A.

310. Defendants are liable to 1<sup>st</sup> Fidelity for all of the damages caused by its breach of contract and the obligation of good faith and fair dealing implied in every contract governed by

New York law.

WHEREFORE, 1<sup>ST</sup> Fidelity demands judgment against Defendants in an amount to be proven at trial, and such other and further relief as may be just, proper and allowable, including pre-judgment and post-judgment interest and the costs of this suit.

**FOURTH CLAIM FOR RELIEF**  
**Conversion on behalf of all Plaintiffs**

311. Plaintiffs repeat the allegations heretofore stated.

312. Under the MLPA, Chase sold to MRS the mortgage loans listed on Exhibit A to the MLPA.

313. As stated above, Chase sold to S&A mortgage loans pursuant to individual loan sale agreements from 2005 onward.

314. As stated above, Chase sold to 1<sup>st</sup> Fidelity loans pursuant to individual loan sale agreements from 2008 onward.

315. Plaintiffs retained exclusive right of possession to the promissory notes and mortgages (otherwise known as "chattel paper") purchased from Defendants.

316. Plaintiffs devoted enormous resources to establishing relationships with the borrowers of the purchased loans and putting them on payment schedules so that they could make their debt service payments and retain their houses.

317. Chase wrote forgiveness letters to borrowers whose loans it had sold to the Plaintiff.

318. Chase directed third party vendors to collect and negotiate on loans owned by Plaintiffs.

319. As a result of Defendants' actions, Borrowers refused and ceased to pay Plaintiffs on demand moneys properly due on loans owned by Plaintiffs.

320. Defendants also directed third party vendors to file false documents including

releases of liens and vacations of modifications on loans owned by Plaintiffs.

321. Defendants refused to forward moneys to Plaintiffs, failed to retract false statements, and failed to refrain from asserting dominion over Plaintiffs' property.

322. Defendants and associates in fact retained moneys paid on loans owned by Plaintiffs.

323. Defendants and their associates continued the above actions in derogation of and inconsistent with the exclusive possessory rights of Plaintiffs to the loans.

324. As a result, Defendants have interfered with Plaintiffs' exclusive possessory rights as the owners of loans.

325. Defendants have interfered with Plaintiffs' exclusive ownership and possessory rights by depriving Plaintiffs of money belonging to Plaintiffs.

326. Defendants have interfered with Plaintiffs' exclusive ownership and possessory rights by refusing to register the transfer of rights with the collection companies.

327. Defendants have interfered with Plaintiffs' exclusive rights to the collateral securing the promissory notes by refusing to execute all Assignments of Mortgage.

328. As a direct and proximate result of Defendants' acts as alleged above, Plaintiffs have been damaged in an amount to be proven at trial of no less than \$ 300 million.

329. Defendants are liable to the Plaintiff Mortgage Resolution Servicing for compensatory and punitive damages for its conversion of Plaintiffs' purchased assets.

330. Defendants are liable to the Plaintiff 1<sup>st</sup> Fidelity for compensatory and punitive damages for its conversion of Plaintiffs' purchased assets.

331. Defendants are liable to the Plaintiff S&A for compensatory and punitive damages for its conversion of Plaintiffs' purchased assets.

WHEREFORE, 1<sup>ST</sup> Fidelity, S&A, and MRS demand judgment against Defendants in an amount to be proven at trial, and such other and further relief as may be just, proper and allowable, including pre-judgment and post-judgment interest and the costs of this suit.

**FIFTH CLAIM FOR RELIEF**  
**Tortious Interference with Business Relations**  
**on behalf of all Plaintiffs**

332. Plaintiffs repeat the allegations heretofore stated.

333. Plaintiffs purchased federally related mortgage loans through multiple individual and bulk mortgage loan sales directly from Defendants.

334. Plaintiff acquired contractual rights as Assignees of the Defendants under these various individual mortgage loan contracts.

335. Defendants intentionally and without any justification interfered with Plaintiffs' contractual relations with Borrowers under the individual mortgage loans by issuing forgiveness letters, directing third party collectors to continue collection efforts on behalf of Chase, releasing the liens on loans through third party vendors, and filing false documents into public record on loans Chase had already sold to the Plaintiffs.

336. But for the Defendants' actions, Plaintiffs' contractual relations with Borrowers would have continued uninterrupted.

337. The Defendants had no legitimate basis for taking the actions they took and the interference stemmed from Chase's desire to eschew compliance and regulatory requirements.

338. By sending out forgiveness letters to borrowers whose loans Defendants had sold to the Plaintiffs, and by releasing liens securing loans it had sold to the Plaintiffs, Defendants also proximately caused the impairment and spoliage of the Plaintiffs' business reputation and their relationships with the borrowers whose loans they had purchased from Chase, which reputation

Plaintiffs had spent years building.

339. Defendants are liable to Plaintiff MRS for compensatory and punitive damages.

340. Defendants are liable to Plaintiff S&A for compensatory and punitive damages.

341. Defendants are liable to Plaintiff 1<sup>st</sup> Fidelity for compensatory and punitive damages.

WHEREFORE, 1ST Fidelity, S&A, and MRS demand judgment against Defendants in an amount to be proven at trial, and such other and further relief as may be just, proper and allowable, including pre-judgment and post-judgment interest and the costs of this suit.

**SIXTH CLAIM FOR RELIEF  
Fraud and Fraudulent Inducement  
on behalf of MRS, 1st Fidelity, and S&A**

342. Plaintiffs repeat the allegations heretofore stated.

343. Defendants, by their statements, acts, omissions and conduct, knowingly made false representations to MRS to induce it to enter into the MLPA.

344. Defendants' statements include those made by Guerrero and others beginning in October 2008 that (a) misrepresented that Defendants would provide a complete Exhibit A to the MLPA detailing the full and customary servicing information for all the loans sold under the MLPA; (b) misrepresented that Defendants would provide all original loan documentation to MRS relating to the purchased loans; and (c) misrepresented that the loans sold to MRS under the MLPA consisted of first lien mortgage loans that had been made and serviced in full compliance with all applicable law.

345. Defendants knew, at the time those representations were made, that a significant percentage of the loans included in the portfolio sold to MRS were deficiency claims, not first lien mortgages, and that the Defendants' servicing of the loans had violated federal, state, and local

laws.

346. Defendants knew, from inception of the negotiations, that their intention was to dump on MRS a massive volume of liabilities that Defendants had incurred as a result of their deliberate failure to comply with state and federal law concerning residential mortgage loans.

347. From February 2009 until November 2010, Guerrero and others repeatedly misrepresented to Plaintiffs that Defendants were in the process of compiling complete servicing data for the MLPA portfolio of loans. Following receipt of the Corrupted List, Schneider had multiple conversations and exchanges of emails with representatives of Chase regarding the absence of information identifying borrowers and collateral. Each time Schneider raised the subject, he was assured that Defendants were in the process of assembling it and that the problem was converting information from Washington Mutual's system. In fact, as MRS later learned, Defendants knew it could not provide a complete Exhibit A; they never provided to MRS an Exhibit A as required by the MLPA; and is still unknown whether any of the loans purportedly included on Exhibit A were acquired from Washington Mutual.

348. Defendants, by their statements, acts, omissions and conduct, also knowingly made false representations to Borrowers, county recording offices, and Courts including Bankruptcy courts regarding S&A, and 1<sup>st</sup> Fidelity's ownership of loans.

349. But for the false statements made by the Defendants, S&A and 1<sup>st</sup> Fidelity would have not have been involved in legal disputes and liabilities as to loans purchased from Chase.

350. But for the false assertions made to Borrowers, S&A and 1<sup>st</sup> Fidelity would have realized successful completion of payment plans on loans purchased from Chase.

351. But for the false assurances made by the Defendants, MRS would never have signed the MLPA and invested the enormous personnel time required to uncover the information that

should have been provided by Chase in Exhibit A to the MLPA.

352. MRS reasonably relied on Defendants' misrepresentations and omissions given Plaintiffs' long-standing business relationship with Defendants and the apparent sincerity of the assurances given by Guerrero and others.

353. As a result of Defendants' fraudulent conduct, MRS has incurred and continues to incur, damages in an amount to be determined at trial.

WHEREFORE, 1ST Fidelity, S&A, and MRS demand judgment against Chase in an amount to be proven at trial, and such other and further relief as may be just, proper and allowable, including pre-judgment and post-judgment interest and the costs of this suit.

**SEVENTH CLAIM FOR RELIEF**  
**Negligent Misrepresentation on behalf of MRS**

354. Plaintiffs repeat the allegations heretofore stated.

355. Defendants have, by their statements, acts, omissions and conduct, at the very least made negligent misrepresentations to MRS about their ability and intention to provide a proper Exhibit A to the MLPA.

356. Defendants had exclusive knowledge of the material facts relating to the loans sold to MRS under the MLPA and whether or not Defendants had originated and serviced those loans in compliance with applicable federal, state and local law.

357. Defendants knew that MRS could not possibly obtain the facts concerning the purchased loans prior to signing the MLPA and that, thereafter, MRS could only obtain those facts through an enormous effort and expense.

358. Defendants had a duty to be honest and forthright with MRS and to not negligently misrepresent the condition or nature of the collateral and the quality of the loans.

359. Defendants knew that there were pervasive violations of federal, state and local



laws with respect to the origination and servicing of the loans.

360. At a minimum, they negligently concealed this information from MRS.

361. MRS suffered significant losses as a result of Defendants' negligent misrepresentations and Defendants are liable to MRS for all of the damages resulting therefrom.

WHEREFORE, MRS demands judgment against Chase in an amount to be proven at trial, and such other and further relief as may be just, proper and allowable, including pre-judgment and post-judgment interest and the costs of this suit.

**EIGHTH CLAIM FOR RELIEF**  
**Promissory Estoppel on behalf of MRS, 1st Fidelity, and S&A**

362. Plaintiffs repeat the allegations heretofore stated as though fully set forth here.

363. As more specifically stated above, Defendants clearly and unambiguously promised to sell to Plaintiffs federally related mortgage loans.

364. Defendants have breached those promises.

365. More specifically, Defendants have broken those promises by (a) sending debt forgiveness letters to borrowers whose loans had been sold to Plaintiffs; (b) recording lien releases of liens that had been transferred to the Plaintiffs; and (c) falsely informing borrowers, insurance companies, collection agencies and others, that Defendants own loans when, in fact, the loans had been sold to Plaintiffs.

366. Defendants' statements and filings have destroyed or impaired the validity of Plaintiffs' title to the loans and the collateral securing the loans and have prevented Plaintiffs from collecting payments from borrowers

367. As more specifically alleged above, Plaintiffs paid Defendants for the loans and performed all other conditions precedent.

368. As more specifically alleged above, Plaintiffs reasonably relied on Plaintiffs'

promises in undertaking the liability and costs including servicing costs on the loans at issue.

369. As more specifically stated in the general allegations, Plaintiffs' reliance was reasonable and foreseeable.

370. As a direct and proximate result of Defendants' acts as alleged above, Plaintiffs have been damaged in an amount to be proven at trial of no less than \$ 300 million.

371. Defendants caused borrowers, whose loans Plaintiffs had purchased, to cease making payments on the loans and to threaten to take, or to take, legal action against the Plaintiffs for simply exercising their contractual rights.

372. As a direct and proximate result of Defendants' conduct, Plaintiffs have incurred, and continue to incur, damages in an amount to be determined at trial.

WHEREFORE, Plaintiffs pray for judgment against Defendants for damages in an amount to be determined at trial, for pre-judgment interest on any recovery by Plaintiff, for expenses of suit incurred herewith; for reasonable attorney's fees; and for such other relief as the court may deem just and proper.

#### **NINTH CLAIM FOR RELIEF**

**Civil RICO: 18 U.S.C. § 1962(c) and 18 U.S.C. § 1962(d) on behalf of all Plaintiffs**

373. Plaintiffs repeat the allegations heretofore stated.

374. At all relevant times, Plaintiffs were "persons" within the meaning of RICO, 18 U.S.C. § 1961(3), and Plaintiffs were each a "person injured in his or her business or property by reason of a violation of" RICO within the meaning of 18 U.S.C. § 1964(c).

375. At all relevant times, Defendants were "persons" within the meaning of RICO, 18 §§ 1961(3) and 1962(c), and were employed by or associated with an "enterprise" within the meaning of RICO, 18 U.S.C. §§ 1961(4).

376. The Defendants and their officers and employees formed an enterprise as described

in 18 U.S.C. § 1962(c) which included the Monitor, his Professionals, Nationwide Title Clearing, other title clearing agencies, and various third party debt collection agencies that the Defendants utilized in connection with the scheme alleged above. The Enterprise is separate from the ongoing business of Defendants and the aiders and abettors to the Scheme. Defendants are not the entire Enterprise but are perpetrators of the alleged racketeering activity of the Enterprise

377. The victims of the RICO fraud are Plaintiffs as well as other note sale investors who purchased loans from Defendants and whose liens were improperly released, including B&B Funding, Ginsburg Family Trust, Mortgage First LLC, West Coast Capital and Secured Equity Financial. In addition, consumer borrowers and blighted communities were injured by not receiving the relief to which they were entitled under the Lender Settlements. The FDIC has been injured in that it paid claims to Defendants on loans that were subsequently housed, collected upon, and released. The FHA was injured in that loans on which Defendants made claims, loans for which the FHA settled, were likely housed in RCV1 as debt for further collection. The state Attorney Generals and federal government were injured in that the consumer relief and protection they sought has not been remedied but continues through Defendants' scheme.

378. At all relevant times, Defendants conducted and participated in the conduct of the enterprise's affairs through a "pattern of racketeering activity" within the meaning of RICO, to defraud the governmental entities as well as the Plaintiffs. 18 U.S.C. § 1961(5), 18 U.S.C. § 1962(c) and (d).

379. The predicate acts include mail fraud in violation of 18 U.S.C. § 1341, wire fraud in violation of 18 U.S.C. § 1343, conversion, collection of an unlawful debt, violation of the FDCPA, and obstruction of justice through acts to corrupt Defendants' compliance with the Lender Settlements in violation of 18 U.S.C. § 1503. The Defendants used the wires and mails to make

false communications with and misrepresentations to victims of the scheme including Plaintiffs, borrowers, municipalities, the States and the DOJ, as set forth above

380. The predicate acts are part of a larger effort by Defendants to relieve themselves of their legal obligations and liabilities and to pave the way to being able to seek improper credits under the Lender Settlements by defrauding Plaintiffs, homeowners, municipalities and others who were to receive the benefits of federally related loan servicing, the purchased loans and the relief of the Lender Settlements.

381. The RICO scheme began in 2000 and continues to date by intentional and secretive violations of servicing standards to save money and inconvenience, off-loading non-serviced loans to unsuspecting third parties to continue to avoid federal scrutiny, improperly releasing liens and collecting on loans belonging to Plaintiffs, and other violations of the Lender Settlements, all to avoid compliance with federal and state and Lender Settlement servicing standards.

382. Each of the Defendants' employees described above, the Monitor, his Professionals, title companies and collection agencies knowingly conspired to commit and/or aided and abetted the commission of two or more acts of racketeering in violation of 18 U.S.C. Sec. 1962(d). As set forth above, Defendants devised the scheme to avoid the cost and inconvenience of servicing standards and the terms and conditions of the Lender Settlements. The Monitor and his Professionals participated in the scheme in order to receive lucrative payments and prestige under the Lender Settlements by Defendants and the other participating Servicers. The title companies and collection agencies participated in the scheme to receive continued employment and profits by receiving payment for continuing the fraudulent release of liens and improper collection of debts necessary to facilitate Defendants' scheme.

383. The aforesaid acts of racketeering activity constituted a "pattern of racketeering

activity” within the meaning of 18 U.S.C. § 1961(5). These acts allowed Defendants to avoid compliance with federal and state servicing standards, and compliance with their legal obligations under the consumer relief provisions of the Lender Settlements, without expending any money or relinquishing any assets.

384. As a direct result of Defendants’ violations of 18 U.S.C. § 1962(c) and (d), Plaintiffs have incurred and will continue to incur damages in an amount to be determined at trial.

385. Defendants’ RICO conspiracy has impacted the Plaintiffs in, *inter alia*, the following ways:

(a) Plaintiffs have lost revenue from borrowers who ceased making payments, or disputed the Plaintiffs’ right to collect payments or initiate foreclosure proceedings, after the borrowers received Forgiveness Letters from, or had liens on the subject properties improperly released by, the Defendants.

(b) Plaintiffs have lost revenue because Defendants sent correspondence to borrowers whose loans had been sold to the Plaintiffs misrepresenting that Defendants or the collection agency working for the Defendants owned the loans at issue and/or was the authorized servicer for the loans at issue and that the borrowers should make payments to Defendants.

(c) Plaintiffs have lost revenue as a result of Defendants’ wrongful retention of payments on loans that Defendants sold to the Plaintiffs.

(d) Plaintiffs have lost revenue due to Real Estate Tax Foreclosure Sales due to Defendants release of liens on borrower’s properties which were sold to Plaintiffs.

(e) Plaintiffs have lost revenue due to Homeowners Association Foreclosure Sales due to Defendants release of liens on borrower’s properties which were sold to Plaintiffs.

(f) Plaintiffs have lost revenue due to borrowers whose loans were sold to Plaintiffs when

borrowers sold their properties.

(g) Defendants' acts of mail and wire fraud have harmed Plaintiffs' reputation and relationship with borrowers, resulting in the destruction of Plaintiffs' successful business model, which converted non-performing loans into sustainable payment plans that provided substantial streams of income to the Plaintiffs while enabling many borrowers to keep their homes.

(h) Defendants' acts of mail and wire fraud have exposed Plaintiffs to legal liability for Defendants' failure to deter community blight, comply with consumer protection laws and otherwise fulfill their servicing obligations, the scope of which is not yet ascertainable.

(i) Plaintiffs have lost the benefit of the bargain under loans purchased from Defendants as a result of Defendants' approval of short sales on properties on which Plaintiffs held the mortgages.

386. Pursuant to RICO, 18 U.S.C. § 1964(c) and 18 U.S.C. § 1964(d), Plaintiffs are entitled to recover from Defendants treble damages plus costs and attorneys' fees.

387. Defendants regularly and repeatedly used interstate mail and wires, to defraud the parties to the Servicer Participation Agreements, NMSA Consent Judgment, the RMBS Settlement, the Plaintiffs, and the borrowers whose loans had been sold to the Plaintiffs.

388. The acts alleged were related to each other by virtue of common participants, common victims, a common method of commission, and the common purpose and common result of evading Defendants' obligations to the Plaintiffs, evading Defendants' obligations under federal and state servicing requirements and anti-blight laws, allowing Defendants to fraudulently receive HAMP incentive payments and fraudulently purport to satisfy the consumer relief provisions of the NMSA Consent Judgment and the RMBS Settlement.

WHEREFORE, Plaintiffs demand judgment:

1. On the first claim, awarding Plaintiffs compensatory and punitive damages in the amount of \$300 million for breach of contract.
2. On the second claim, awarding S&A compensatory and punitive damages for breach of contract.
3. On the third claim, awarding 1<sup>st</sup> Fidelity compensatory and punitive damages for breach of contract.
4. On the fourth claim, awarding Plaintiffs compensatory and punitive damages for conversion.
5. On the fifth claim, awarding plaintiffs compensatory and punitive damages for tortious interference with prospective economic relations.
6. On the sixth claim, awarding Plaintiffs compensatory and punitive damages for fraud and fraudulent inducement.
7. On the seventh claim, awarding MRS compensatory and punitive damages for negligent misrepresentation.
8. On the eighth claim, awarding Plaintiffs damages for promissory estoppel.
9. On the ninth claim, awarding Plaintiffs treble damages for Defendants' violation of RICO plus an award of all of Plaintiffs' attorneys' fees and costs.

And such other relief as the Court deems just and proper.

Dated: New York, New York.  
March 6, 2017

Respectfully submitted,  
By: /s/ Brent Tantillo  
Brent Tantillo  
Tantillo Law PLLC  
100 Church Street  
8<sup>th</sup> Floor  
New York, NY 10007  
786.506.2991

*Attorney for Plaintiffs*

**Exhibits to Proposed Fourth Amended Complaint**

<b>1</b>	<b>S&amp;A loans &amp; 1st Fidelity loans purchased from the Defendants</b>
<b>2</b>	<b>Master Mortgage Loan Sale Agreement between S&amp;A and Defendants</b>
<b>3</b>	<b>Master Mortgage Loan Sale Agreement between 1<sup>st</sup> Fidelity and Defendants</b>
<b>4</b>	<b>Mortgage Loan Purchase Agreement between MRS and Chase Home Finance</b>
<b>5</b>	<b>Forgiveness Letters that the Defendants sent to borrowers whose loans Defendants had previously sold to S&amp;A.</b>
<b>6</b>	<b>Forgiveness Letters that the Defendants sent to borrowers whose loans Defendants had previously sold to 1<sup>st</sup> Fidelity</b>
<b>7</b>	<b>December 5, 2012 letters sent by Defendants to Schneider offering to buy back over 20 mortgages that had been sold to Plaintiffs and, thereafter, forgiven by Chase.</b>
<b>8</b>	<b>September 13, 2012 letter sent by Defendants to the Warwicks extinguishing the second mortgage and canceling the debt in the amount of \$167,003.51 which mortgage and debt Defendants had sold to 1<sup>st</sup> Fidelity 34 months earlier.</b>
<b>9</b>	<b>Statement by an investigator for the State of Maryland questioning “whether Chase is somehow getting credit from a write off they never actually have to honor.”</b>
<b>10</b>	<b>January 9, 2014 answer filed by the Ahmeds in the foreclosure action in which they asserted as a defense that the loan was used by Chase to satisfy the consumer relief requirements in the NMSA Consent Judgment.</b>
<b>11</b>	<b>September 13, 2012 debt forgiveness letter sent by Chase to Hancock-Roberts, cancelling a debt of \$28,209.15 as a result of the NMSA Consent Judgment even though the debt had previously been sold to 1<sup>st</sup> Fidelity.</b>
<b>12</b>	<b>Known Lien Releases to Schneider Entities by Defendants</b>
<b>13</b>	<b>February 16, 2010 assignment of mortgage by Chase to S&amp;A on property owned by Patricia B. King, which was recorded on March 15, 2010.</b>
<b>14</b>	<b>November 6, 2013 discharge of King mortgage by Chase, recorded on November 19, 2013 despite the fact that Chase no longer owned the mortgage.</b>
<b>15</b>	<b>Blackline Version of Proposed Fourth Amended Complaint as Compared to Third Amended Complaint</b>