



**UNITED STATES ATTORNEY'S OFFICE**  
*Southern District of New York*



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**MANHATTAN U.S. ATTORNEY ANNOUNCES AGREEMENT  
WITH MORTGAGE FORECLOSURE LAW FIRM TO OVERHAUL  
ITS PRACTICES AND PAY \$2 MILLION FINE**

PREET BHARARA, the United States Attorney for the Southern District of New York, announced today that the United States has entered into an agreement with the law firm of STEVEN J. BAUM, P.C. ("BAUM"), one of the largest volume mortgage foreclosure firms in New York State, that requires the firm to pay \$2 million to the United States and to extensively change its practices with respect to mortgage foreclosure actions (the "Agreement"). The Agreement resolves an investigation into BAUM's mortgage foreclosure-related practices, specifically whether the firm, on behalf of its lender clients, filed misleading pleadings, affidavits, and mortgage assignments in state and federal courts in New York.

Manhattan U.S. Attorney PREET BHARARA said: "In mortgage foreclosure proceedings, there are no excuses for sloppy practices that could lead to someone mistakenly losing their home. Homeowners facing foreclosure cannot afford to have faulty paperwork or inadequate evidence submitted, and today's agreement will help minimize that risk."

The Agreement specifically prohibits BAUM from engaging in certain practices related to the Mortgage Electronic Registration Systems, Inc. ("MERS"), a subscription-based electronic registry system for lenders and other entities that tracks ownership interests in mortgages. MERS members contractually agree to appoint MERS as their agent on all mortgages they register. Until recently, employees of BAUM, with the consent of MERS, had been assigning mortgages on behalf of MERS, even though they had no connection to MERS whatsoever, which resulted in errors in its legal filings in state and federal court. Pursuant to the Agreement, BAUM is prohibited from executing any assignment of a mortgage as an "officer" or "director" of MERS.

The Agreement also requires a general overhaul of BAUM's practice with respect to its filings in mortgage foreclosure actions. Under the terms of the Agreement, BAUM has agreed to:

- Take steps to inform courts of the nature of the assignments in pending foreclosure proceedings it is handling;

- Obtain appropriate affidavits from its clients attesting to the fact that they possess original notes or have conducted a diligent search and the original note could not be found;
- Have experienced attorneys supervise the preparation of pleadings, and review and approve pleadings before they can be filed;
- Implement a 12-24 month training program for its attorneys that includes an overview of the foreclosure process in New York State and a review of the litigation procedures expected at BAUM;
- Provide immediate notice to the Government when objections are raised regarding the accuracy of certain court filings related to mortgage foreclosure proceedings; and
- Maintain documentation of its compliance with the settlement.

In addition, the Agreement requires BAUM to pay the United States \$2 million in exchange for a release from any potential claims pursuant to the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"). FIRREA authorizes the United States to seek civil penalties for violations of, and conspiracies to violate, certain predicate criminal statutes involving financial fraud, including mail and wire fraud. The release from liability does not preclude any other parties, including individual homeowners, from pursuing any rights they may have.

The Agreement does not constitute a finding by any court or agency that Baum has engaged in any unlawful practice or wrongdoing. In the Agreement, Baum acknowledges, however, that it occasionally made inadvertent errors in its legal filings in state and federal court, which it attributes to human error in light of the high volume of mortgage defaults and foreclosures throughout the State of New York in the wake of the national subprime mortgage crisis.

Mr. BHARARA thanked the U.S. Trustee's Office for their invaluable assistance in this case. The case is being handled by the Office's Civil Frauds Unit. Assistant U.S. Attorneys PIERRE ARMAND and LARA ESHKENAZI are in charge of the case.

The Civil Frauds Unit works in coordination with President BARACK OBAMA's Financial Fraud Enforcement Task Force, on which Mr. BHARARA serves as a Co-Chair of the Securities and Commodities Fraud Working Group. President OBAMA established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.