Countrywide in the Courts:

Borrowers across the nation have accused the lender and its subsidiaries and business associates of a variety of misconduct.

MELISSA LOPRETTO KNEW WHAT SHE WANTED:

A BIGGER HOUSE, A BIGGER BACK YARD, A NICE PLACE TO RAISE HER 11-YEAR-OLD SON.

Her new home was built outside Tampa by one of the nation's largest home builders, KB Home, and financed by the nation's largest mortgage lender, Countrywide Financial. The subdivision's name spoke of sunny hopes: Tierra del Sol.

But things didn't turn out the way she'd expected.

Ms. Lopretto claims in a lawsuit in Pasco County, Fla., that the builder and the lender engaged in a sophisticated scheme to take advantage of her and other borrowers like her, landing her in a predatory loan and in a house with serious structural defects.

It was a process, her suit claims, tainted throughout by fraud, nudged along by an inflated appraisal and bait-and-switch salesmanship.

"It's sick that they're allowed do such things and prey on people," Ms. Lopretto said in an interview with the Center for Responsible Lending. "I cry a lot because I wanted things to be better for me and my son, and they haven't been."

Both KB Home and Countrywide deny doing anything improper.

Ms. Lopretto is not alone in complaining about Countrywide, however. Borrowers across the nation have accused the lender and its subsidiaries and business associates of a variety of misconduct. In court documents, borrowers have claimed that Countrywide has:

- systematically lured "unwary" borrowers into getting mortgages that were "entirely inappropriate for them;"
- overcharged minority borrowers who for qualified for lower-cost loans;
- taken advantage of elderly and non-English-speaking borrowers;
- gouged borrowers by charging inflated or unauthorized fees and penalties;
- used falsified appraisals and inflated incomes to approve loans that borrowers couldn't afford;
- made loans arranged by mortgage brokers who used deceptive sales pitches to land borrowers into overpriced and unfair deals;
- engaged in sloppy or fraudulent loan servicing, in some cases misapplying homeowners' payments or filing unwarranted foreclosure actions; and
- reneged on promises to help victims of Hurricanes Katrina and Rita by giving them a break on their loan payments.

In many of these cases, Countrywide has filed court papers denying wrongdoing. In some it has argued that the borrowers themselves or third parties such as mortgage brokers are to blame for any problems.

A company spokesman recently told the New York Times: "No one . . . could have foreseen the unprecedented combination of events that led to the problems borrowers, lenders and investors face with many of these loans today. Countrywide is proud of its role in making homeownership affordable to lower-income households and, as the largest lender to African-Americans, Hispanics and Asians, closing the gap in homeownership between whites and minorities."

Some borrowers, though, claim Countrywide actually made homeownership unaffordable for them.

Ms. Lopretto is one of them. She was a single mom in her late 20s, making a modest income as a paralegal, doing research for attorneys in auto accident cases. She'd had money problems in the past, filing for bankruptcy in 2001. But she says she'd turned around her finances, and built a nest egg by selling the smaller house she'd once owned, along with a half-acre lot her mom had left her.

Her lawsuit alleges Countrywide used an appraisal that exaggerated her new home's value by more than $80,000, and gave no consideration to whether she could afford the deal.

She claims she was promised a fixed interest rate of 8.875%, but the loan turned out to be an adjustable-rate mortgage with a starting interest rate of 9.375% that could jump to 10.875% after two years and eventually go as high as 16.375%.

The payments also turned out to be higher than she was promised, she claims. Ms. Lopretto says there was no way she could handle her initial payments of some $2,500 a month – much less cover the payments as they adjusted upward, potentially approaching $3,000 a month after two and a half years and climbing even higher in the years to come. "It was way more than I told them I could afford," she recalls. At the time, she says, she was making just $4,000 a month in after-tax take-home pay.

Why did she sign?

Because, her lawsuit says, she'd already handed over more than $50,000 in down payments on the deal. The suit claims a representative of Countrywide and KB told her that if she backed out, she'd lose all the money she'd put in – and might be sued for breach-of-contact.

She felt trapped. She'd already given notice to her landlord, and was supposed to move out of her rental home the day of the closing. Afraid she and her son would be left homeless – and worn down by hours of haggling over the details – Ms. Lopretto signed the papers.

In response to her allegations, Countrywide says it's not responsible for the actions of the builder, the appraiser or others involved in the transaction. It says Ms. Lopretto didn't make her payments and failed to show she's suffered harm.

Countrywide also claims she acted in "bad faith" by "making materially false statements or omissions in the loan application process."

Ms. Lopretto denies this. She says in her lawsuit that she corrected inaccuracies that Countrywide had written into the application forms, but that the lender apparently added new misrepresentations after the papers were out of her hands.

OTHER CASES AGAINST COUNTRYWIDE

As part of its mission to research and document concerns about the mortgage market, the Center for Responsible Lending has put together a database that summarizes a sampling of the litigation targeting Countrywide. The synopses of these cases detail claims outlined by borrowers and regulators in court files and state agency documents, as well as Countrywide's legal response in number of the cases. Links to PDF copies of the key legal documents are included.

Because most of these cases are in their early stages, these allegations remain just that -- allegations. However, they do give a sense of the kinds of concerns that exist about Countrywide's practices.

Some are individual claims and others seek to represent large classes of borrowers. These broader-reaching complaints must be certified by judges before they gain class action status.

About the Center for Responsible Lending

The Center for Responsible Lending (CRL) is a national nonprofit, nonpartisan research and policy organization dedicated to protecting home ownership and family wealth by working to eliminate abusive financial practices. CRL is affiliated with Self-Help, one of the nation's largest community development financial institutions.

For additional information, please visit our website at **www.responsiblelending.org**.

Fraud claims

Case: Heath O. White v. Countrywide Financial Corp. et al (class action complaint).
Court: U.S. District Court for Central District of California, Western Division.
Filed: Sept. 19, 2007

Allegations: Countrywide and its subsidiaries violated the federal Racketeer Influenced and Corrupt Organizations Act (RICO) by engaging "in a fraudulent scheme to systematically lure unwary borrowers to enter into 'subprime' mortgages" that were "entirely inappropriate" for them. Many of these borrowers could have qualified for lower-cost prime loans. Others were stuck into costly subprime loans even though it was clear they were unlikely to be able to repay them.

Countrywide pushed subprime loans because they are far more profitable for the lender than prime loans, allowing it to maximize the profits it earns from selling bonds backed by subprime loans to investors in mortgage-backed securities. In 2004, at the height of the subprime mortgage boom, Countrywide's average profit margin on loans sold to investors was 3.64% for subprime mortgages, compared to 0.93% on prime loans.

To push subprime loans and to increase the lucrative fees associated with them, Countrywide offered a variety of incentives to the independent mortgage brokers who served as part of the lender's sales staff.

For example:

- Countrywide offered a commission of 0.5% on subprime mortgages, compared to 0.2% on prime mortgages.
- Brokers could make another 1% commission if they added a three-year "prepayment penalty" to the loan, which would require borrowers to pay a stiff fee if they tried to refinance into a less onerous loan.
- Countrywide gave brokers who sold high volumes of subprime loans an array of perks, including all-expenses-paid trips to Las Vegas.

Countrywide's efforts to steer borrowers with good credit into subprime loans was supported by computer software that prevented sales reps from taking borrowers' savings into account when calculating what type of loan the borrower qualified for. Without their cash reserves included on their applications, borrowers were more likely to be steered into subprime loans.

Sales reps working on Countrywide's behalf worked from scripted sales pitches, promising consumers "I want to be sure you are getting the best loan possible" and urging homeowners "Don't you want the equity in your home to work for you?" and "You can use your equity for your advantage and pay bills or get cash out. How does that sound?"

By bringing in unqualified borrowers who were likely to fall behind or try to refinance to get out of their loans, Countrywide reaped a windfall in fees and penalties -- $285 million in late fees and $268 million in prepayment penalties in 2006 alone. The company and its subsidiaries also charge inflated fees for basic services involved in the loan process. These include a $26 charge for flood certifications, roughly twice what other lenders charge. The company also charges $100 to email documents and $45 to Fed Ex them.

Countrywide appeared unconcerned about the financial hardship it imposed on borrowers. One Countrywide manual permitted employees to approve a loan even if the mortgage payment left a family of four with just $1,000 a month to live on.

Racial and ethnic discrimination claims

Case: In the Matter of: Countrywide Home Loans Inc., settlement agreement between Countrywide and New York Office of the Attorney General.

Allegations: Statistical analysis by experts commissioned by the attorney general found black and Latino borrowers paid more on average than whites for their mortgage loans from Countrywide in 2004, even when such factors as credit scores and outstanding debts were taken into account.

Response: Countrywide denied wrongdoing and strongly disputed the attorney general office’s conclusions.

Outcome: In a settlement announced Dec. 5, 2006, Countrywide agreed to spend $3 million on consumer education, pay $200,000 in enforcement costs and provide refunds to minority borrowers in New York who improperly received subprime or Alt-A loans rather than prime loans.

Case: Miller et al v. Countrywide Bank et al (class action complaint).
Court: U.S. District Court for the District of Massachusetts.

Filed: July 12, 2007.

Allegations: Countrywide's credit pricing policy allows discretionary finance charges and interest mark-ups that "have a widespread discriminatory impact on black applicants." Gillian Miller, for example, had an excellent credit grade (listed as AA+ on Countrywide documents) that should have qualified her for prime loan. Instead she received two Countrywide mortgages at subprime rates exceeding 11%.

Federal Home Mortgage Disclosure Act data shows black homeowners who borrow from Countrywide are two to three times more likely than whites to received high-interest loans.

Response: Countrywide calls the claims “nothing more than broad and vague allegations with no foundation.”

Case: Gonzalez et al v. VCH Salinas I LLC et al.
Court: U.S. District Court for the Northern District of California (San Jose).
Filed: Nov. 8, 2007.

Allegations: Beatrice Gonzalez and Jose Urtiz bought a new home at the Tuscany at Monte Bella development in Salinas, Calif., which was marketed through an advertising campaign with a significant Spanish language component. The couple cannot read or fully understand English. A mortgage broker who spoke Spanish arranged a Countrywide loan package for them that included a 1-year adjustable rate first mortgage and high interest second mortgage.

All the documents were in English and the broker didn't disclose the loan terms. The couple was charged excessive and illegal fees and settlement charges. Countrywide violated fair housing, truth-in-lending and anti-discrimination laws.

Elder abuse allegations

Case: Albert Zacholl v. Countywide Bank et al.
Court: U.S. District Court for the Southern District of California.
Filed: March 16, 2007.

Allegations: Albert Zacholl is "a 74 year old financially unsophisticated senior, who is unable to consummate real estate transactions without the help of real estate professionals and who had diminished cognitive abilities to ascertain meaningful information from documents due to his age." Countrywide and a pair of independent mortgage brokers manipulated him into a complicated loan deal that he could not afford.

Mr. Zacholl was paying roughly $1,150 a month with a 7.5% fixed interest rate on his mortgage with another lender. Because that loan had a negative amortization feature, his mortgage debt was continuing to climb. A representative of a mortgage broker "cold-called and aggressively baited" Mr. Zacholl, promising that she could get him a better deal.

His income was only about $1,300 a month, but he told the broker that with help from his son, he could pay up to $1,700 a month on his mortgage. She promised to keep his payments at no more than that amount, eliminate the negative amortization feature and get him $30,000 in cash.

She arranged a $368,000 mortgage at 6.625% with Countrywide Home Loans. His monthly payment on the loan plus taxes and insurance totaled $2,268. In addition, she arranged a second Countrywide loan, a $92,000 "piggyback" mortgage with an adjustable interest rate starting at 10.625%. After the second loan's $803-a-month payment was added in, Mr. Zacholl's total monthly cost was nearly $3,100.

The deal did not include the promised $30,000 cash out.

Countrywide and other defendants preyed on Mr. Zacholl because of his age and vulnerability, charged him illegal and excessive fees and lied to him throughout the process. To make the deal go through, the mortgage broker listed Mr. Zacholl's income at $7,000 a month -- more than five times his actual income.

Response: Countrywide argues that Mr. Zacholl "consented to the terms of the transaction" and that any problems were the result of his own "negligence and carelessness." It says Mr. Zacholl received adequate disclosure of the details of the loans and that Countrywide broke no laws and made no misrepresentations.

Bait and switch allegations

Case: Harden et al v. Countrywide Home Loans, Inc., et al.
Court: U.S. District Court for Northern District of West Virginia, transferred from Circuit Court of Berkeley County, W.Va.
Filed: Nov. 2, 2007.

Allegations: Countrywide promised to refinance Terry Lee and Lucinda Harden's mortgage at a fixed rate, get them $8,000 cash out and give them a two month break from mortgage payments. But after a loan closing held at a McDonald's restaurant, the Hardens discovered that they'd been misled; the mortgage wasn't a fixed rate loan, they got no cash out and no break from payments, and their monthly payments weren't what they'd been promised.

Case: Devine et al v. America's Wholesale Lender et al.
Court: U.S. District Court for the Eastern District of Pennsylvania.
Filed: August 9, 2007.

Allegations: A mortgage broker assured Edward and Victoria Devine that their new loan would include an option-to-pay feature that would allow them to pay around $3,500 a month, roughly what they'd been paying on their previous mortgage. At closing, they discovered this was not the case. The broker told them that if they signed the papers, however, the payment option feature would be added later.

That didn't happen. Instead, they were saddled with two loans -- a first mortgage and a second, "piggyback" loan -- that would require them to pay nearly $11,000 a month.

The whole process was "tainted by fraud." The Devines should have received truth-in-lending disclosure which reflected the overall transaction, but were deprived of the information because of the "loan splitting" by the broker and Countrywide.

The broker received large sums that were apparently not properly disclosed in the finance charge, including a $6,182 broker's fee, a $750 appraisal fee and a "premium" of $36,968. The broker also received more than $4,300 in fees on the second loan.

Response: Countrywide denies the allegations, saying the Devines received accurate disclosure of the deal's terms and that, if they suffered harm, the blame should go to the broker.

Prepayment penalties

A prepayment penalty is a fee required by the lender when borrowers pay off a mortgage loan early. In the subprime mortgage market, where borrowers tend to have less-than-perfect credit, an abusive prepayment penalty can trap them in a high-interest loan even after they improve their credit rating. When borrowers qualify for a better loan, even several years later, they are charged a large fee to pay off their old loan. This penalty is seldom imposed in the conventional mortgage market.

Case: Gawry et al v. Countrywide Home Loans, Inc., et al (class action complaint).
Court: U.S. District Court for Northern District of Ohio, Eastern Division.
Filed: Feb. 6, 2007.

Allegations: Countrywide has charged excessive prepayment penalties to borrowers who pay their loans off early. For example, Countrywide charged Frederic and Loraine Gawry an $8,910 penalty when they refinanced with another lender and paid their Countrywide mortgage -- 2.87% of the loan's principal. That's well above the 1% allowed by Ohio law. As a result, Countrywide overcharged the Gawrys by $5,728.

Allegations of inflated or unauthorized fees and interest charges

Case: In the Matter of: Countrywide Home Loans, Inc., settlement agreement between Countrywide and Connecticut Department of Banking**.**
Filed: April 10, 2007.

Allegations: A state investigation found Countrywide had overcharged 473 borrowers between 2001 and 2005 by collecting more in prepaid finance charges than allowed by state law. Mortgage lenders in Connecticut are allowed to collect prepaid finance charges – commonly known as "points" – of no more than 5%, or $2,000, whichever is greater.

In addition, Countrywide employed at least 147 loan originators without registering them with the state.

Outcome: Countrywide agreed to refund the overcharges, pay a $401,750 fine and donate $100,000 toward homeowner assistance.

Case: Masse et al v. Countrywide Financial Corporation et al (class action complaint).
Court: U.S. District Court for the Middle District of Florida, Ft. Meyers Division
Filed: Oct. 24, 2007

Case: Marple v. Countrywide Financial Corporation et al (class action complaint).
Court: U.S. District Court for the District of New Jersey.
Filed: Sept. 13, 2007.

Allegations: Both cases claim Countrywide has schemed to "cheat residential and commercial mortgage customers out of hundreds of millions of dollars" in unearned fees by "marking up" the costs for flood certifications and tax services that are performed by a subsidiary, Land Safe Real Estate Settlement Closing Services. Because Countrywide performs no additional services beyond the work done by Land Safe, the mark-ups violate the federal law.

Response: Countrywide says the charges are legitimate and reasonable.

Case: Carpenter, et al, v. Countrywide Home Loans, Inc.
Court: St. Louis (Mo.) Circuit Court.
Filed: March 18, 2002.

Allegations: Countrywide charged illegal document preparation fees to 20,000 borrowers in Missouri, usually around $100 per loan. Charging these fees amounted to unlawful practice of law by the lender's representatives.

Response: Countrywide argued its employees and brokers weren't acting as lawyers when they prepared the documents.

Outcome: In December 2006 the trial judge ruled against Countrywide and awarded the borrowers more than $6.1 million. Countrywide has appealed the judgment to the Missouri Supreme Court.

Cases involving Countrywide's brokers and correspondent lenders

Because of the nature of the mortgage market, independent brokers and lenders frequently arrange or make the loans that Countrywide and other large lenders fund. Litigation against Countrywide raises questions about how the company screens these loans -- and how it screens the firms that it does business with.

Case: Sutton v. Countrywide Home Loans, Inc.
Court: U.S. District Court for the Middle District of Florida , transferred from Circuit Court of the 20th Judicial Circuit, Hendry County, Florida.
Filed: May 29, 2007.

Allegations: Peter F. Sutton is an 80-year-old widower. After his wife died, he struggled to keep up with his $786-a-month payments on his 7% fixed-rate mortgage, along with a 12% second mortgage with payments of roughly $500 a month. His monthly income was limited to $1,100 in Social Security.

Mr. Sutton had a credit score of 727. A mortgage broker said he could get Mr. Sutton as 2.25% loan with a monthly payment of $426. Mr. Sutton offered to provide his tax returns to help with the application.

That loan wasn't approved, however, and several days later Mr. Sutton received a preliminary disclosure from Countrywide for a loan that would carry payments of $562 a month.

That one wasn't approved either. The loan presented to Mr. Sutton at closing carried a $731-a-month payment and an annual percentage rate of 9.012%. The closer rushed Mr. Sutton through signing the documents, and said she couldn't explain why the promised payment kept changing.

Countrywide paid the broker a "yield spread premium" of $4,710 as part an overall broker's fee of $7,270 for selling Mr. Sutton an "onerous loan" that "was bound to wind up in foreclosure and render him homeless."

Later Mr. Sutton learned that the $157,000 mortgage could "negatively amortize," climbing as high as $180,000. His payments could rise as high as $1,400 a month -- $300 more than his monthly income.

Mr. Sutton also discovered the application prepared by the broker had inflated his monthly income to $4,500 -- more than four times his real income. It did not mention he was retired and on Social Security.

Case: Stewart et al v. Countywide Home Loans et al.
Court: U.S. District Court for West Virginia, transferred from the Circuit Court of Cabell County, West Virginia.
Filed: Sept. 17, 2007.

Allegations: In the spring of 2006, Jesse and Salina Stewart contacted a mortgage broker as they looked to buy a new home. Mr. Stewart is a construction worker with a 10th grade education who is "unsophisticated in financial matters." The couple's income was roughly $2,300 a month. They told the broker they could afford payments of up to $1,000 a month, because they also had credit card bills and car notes.

The broker got back to them and reported he could get them a loan with Countrywide, but their payments would be $1,300 a month. They insisted $1,000 was all they could afford. The broker told them that if they signed the papers and paid $1,300 a month for three months, he would get them a lower rate with payments under $1,000.

The broker inflated the couple's income on their loan application and had them sign several blank forms without explaining what they were signing. Then, at the closing in October 2006, the Stewarts were rushed through signing and not given enough time to read the documents.

They ended up with two "extremely oppressive and unwise high interest loans":

- an "exploding adjustable rate" first mortgage that started at 10.13% and could only go higher.
- a "piggyback" second mortgage with a 12.1% interest rate and "an extremely exploitive balloon payment at the end."

The lawsuit claims Countrywide made the loans without determining whether the Stewarts could afford them.

Case: Loo v. Countrybank Bank, N.A. et al.
Court: U.S. District Court for the District of Hawaii.
Filed: Nov. 15, 2007.

Allegations: Margaret L. Loo, an elderly widow, received two "predatory" mortgages in less than two months that stripped away her home equity "by luring her into unaffordable loans certain to eventually lead to default and the loss of her home." The loans were arranged by a mortgage broker and assigned to Countrywide.

The broker inflated Ms. Loo's income on her mortgage application. It claimed she took in $10,776 a month, "an amount that has no basis in fact and is far greater" than her actual income. In fact, the monthly payments on the loans exceeded her income.

Case: Cappuccio v. Prime Capital Funding LLC et al.
Court: U.S. District Court for the Eastern District of Pennsylvania
Filed: Nov. 2, 2007.

Allegations: Karen Cappuccio was paying a total of $981 a month on a first mortgage with a 6.38% fixed rate and a second mortgage with a 11.2% fixed rate. A mortgage broker promised he could lower her interest rates and monthly payments and get her $25,000 cash out.

The loan closing was conducted in a "rapid-fire, hasty fashion" by a closing agent who refused to answer questions. The deal did not include any cash out, and it raised her total mortgage payments to $1,134. The rate on her first mortgage rose to 9.719%, and the rate on her second rose to 13.477%, with a balloon payment due after 15 years.

Despite the fraud and truth-in-lending violations involved in the transaction, Countrywide refused Ms. Cappuccio's demand that it cancel her mortgage.

Case: Hernandez et al v. Hilltop Financial Mortgage, Inc. et al (class action complaint).
Court: U.S. District Court for Northern District of California.
Filed: Dec. 1, 2006.

Allegations: Sergio and Maria Hernandez claim Hilltop Financial Mortgage Inc. took advantage of them, negotiating with them in Spanish but providing loan documents only in English, which neither can read. A sales rep promised them a loan that would save them $230 a month in payments compared to their existing loan, along with paying off about $4,000 in consumer debt and providing them $10,000 in cash.

Instead, the February 2005 loan cost them roughly $130 more a month in loan payments, taxes and insurance. It paid off just $1,323 in consumer debt and provided them only $4,046 in cash. Hilltop assigned the loan to Fieldstone Mortgage Company, which in turn transferred the loan to Countrywide.

Case: Walker et al v. Countrywide Home Loans.
Court: U.S. District Court for the Middle District of Florida, transferred from 18th Judicial Circuit, Brevard County, Fla.
Filed: Feb. 23, 2007.

Allegations: A mortgage lender misled Todd and Lara Walker about the size of their monthly payments and charged them $43,810 in settlement charges -- 16% of their loan's value -- before assigning the loan to Countrywide Home Loans.

Response: Countrywide says the Walkers "cannot have been deceived or defrauded by terms fully disclosed" in the loan documents. It suggests that "the statements attributed to Countrywide or its employees or agents" may have been "mere sales puffery."

Case: Christina Palmer v. Ameribanq Mortgage Group, LLC et al.
Court: U.S. District Court for the Eastern District of Pennsylvania.
Filed: April 28, 2005.

Allegations: Christina Palmer's interest rate on her loan from Ameribanq turned out to be more than 11%, more than twice what she'd been paying on her old mortgage. She was charged more than $8,000 in "unreasonable" prepaid finance charges that may not have been properly disclosed in the loan documents. When she tried to rescind the transaction with Countywide, the new holder of the loan, she was ignored.

Loan servicing, foreclosure and loan modification issues

Case: Chrisman et al v. Countrywide Homes et al (class action complaint).
Court: U.S. District Court for the Eastern District of Tennessee, at Knoxville
Filed: Sept. 4, 2007

Allegations: Countrywide harmed as many as 10,000 borrowers by fraudulently "allocating more of their payments to interest and less to principal than was warranted by the facts," in some cases allocating 100% to interest and 0% to principal. The company used these over-allocations of interest to book higher income on its quarterly and annual financial statements.

In addition, Countrywide:

- recorded payments for months earlier than which they were received.
- posted payments "after unexplained, unreasonable, and significant delays."
- collected excessive late charges.
- used the threat of foreclosure to collect more in monthly and total payments than borrowers owed.

Case: McPherson v. Countrywide Home Loans, Inc.
Court: U.S. District Court for the Northern District of Georgia, transferred from the State Court of Gwinnett County, Georgia.
Filed: Oct. 26, 2007.

Allegations: In July 2007 Countrywide notified Scott McPherson that he was behind $2,713 on his mortgage. Between that and his current charges, he owed $3,678. He sent a check for that amount in July, but in August received notice the company planned to foreclose.

He called Countrywide and was told the payment had been received, but only after the foreclosure proceedings had been started, so the check was being returned to him. If he wanted to save his home, he'd have to pay more. On Aug. 13, he sent $5,894 via Western Union.

Soon after, he learned that Countywide hadn't returned the original $3,678, but had actually cashed and deposited his check. Between that and the $5,894 he'd wired, his checking account was overdrawn. He first realized the problem when a check he wrote to Wal-Mart bounced.

Response: Countrywide says any problems were caused by Mr. McPherson's "own acts or omissions" or by "parties beyond the control of Countrywide."

Case: Beyer v. Countrywide Home Loans Servicing L.P. et al (class action complaint).
Court: U.S. District Court for the Western District of Washington at Seattle, transferred from King County, Wash., Superior Court.
Filed: Sept. 27, 2007.

Allegations: Countrywide "systematically charged and obtained money from consumers" by assessing them unauthorized "service fees" when they pay off the balance of their loans. For example, Countrywide charged Joseph Beyer a total of $60 for "Expedited Payoff Service Fee" and "Fees due" when he paid off his loan in 2006, even though neither charge was due under the note and mortgage he signed four years before.

Case: Haney v. Countrywide Homes Loans, Inc.
Court: U.S. District Court for the District of Arizona, transferred from Maricopa County, Ariz., Superior Court.
Filed: June 27, 2006.

Allegations: When David Haney tried to sell his home, Countrywide would not provide a payoff figure and the sale fell apart. He took another offer on the home, but Countrywide refused to give him a payoff figure until he paid amounts that had become due since his first attempt to sell, as well as roughly $1,800 in fees.

After he paid those amounts, the lender gave him a payoff figure and Mr. Haney paid the loan in full. Instead of reporting the loan as paid, however, Countywide falsely and fraudulently reported to credit bureaus that the loan was in foreclosure.

Outcome: The case was settled in 2007.

Case: Reeves v. Countrywide Home Loans, Inc.
Court: U.S. District Court for the Middle District of North Carolina, transferred from General District Court of Justice, Supreme Court Division, Orange County, N.C.
Filed: April 22, 2004.

Allegations: Countrywide reneged on a loan modification agreement, instead pursuing foreclosure proceedings and undermining Ernest Reeves Jr.'s efforts to sell his home and put the debt behind him.

Outcome: The case was settled in 2005.

Case: Gillett v. Countywide Home Loans et al.
Court: the U.S. District Court for the District of Oregon, transferred from Multnomah County (Oregon) Circuit Court.
Filed: Aug. 24, 2007.

Allegations: Countrywide misapplied Betsy Gillett's monthly payments and charged her for "force placed" homeowners insurance even though she already had insurance in place. It also subjected her to harassing collection calls and falsely reported to credit agencies that she was delinquent.

Allegations involving Countrywide's relationship with KB Home

Case: Lopretto v. KB Home Tampa LLC, et al.
Court: Sixth Judicial Circuit Court, Pasco County, Fla.
Filed: June 15, 2007.

Background: KB Home and Countrywide have been closely linked since June 2005, when they announced that Countrywide would buy the home builder's mortgage subsidiary, KB Home Mortgage Company, and rename it Countrywide KB Home Loans. At the same time, KB Home and Countrywide announced a 50-50 joint venture to make residential loans to KB Home customers.

In making that deal, Countrywide allied itself with a company with a well-documented pattern of legal and regulatory problems. For example:

- In July 2005, KB Home and the U.S. Department of Housing and Urban Development announced they had agreed to a $3.2 million settlement of an ongoing investigation into allegations of dishonest underwriting practices at its mortgage subsidiary. It was the largest settlement in the history of the agency's Mortgage Review Board.

- HUD said the violations by KB Mortgage Company included "approving loans to borrowers who were not eligible; approving loans based on overstated or incorrect income; failing to include all of borrowers' debts; failing to properly verify sources of funds; and, failing to ensure gift letters met HUD requirements."

- In August 2005, the Federal Trade Commission announced that KB Home would pay a $2 million penalty for violating the terms of its 1979 consent degree with the FTC, which had forbid the builder from forcing dissatisfied homebuyers to go into arbitration rather than seek justice in court. It was the second time the government had alleged the company had violated the 1979 decree; the company paid a $595,000 penalty to settle a 1991 lawsuit filed on that issue by the U.S. Department of Justice.

- In late 2006, KB Home CEO Bruce Karatz and other top executives were fired or resigned in the midst of an investigation of whether the company provided executives a windfall by manipulating the timing of their stock option awards.

Allegations: Fraud claims filed this summer in Florida raise questions about the alliance between Countrywide and KB Home. A borrower facing foreclosure accuses Countrywide KB, KB Home and Countrywide of targeting fixed-income and first-time homebuyers with deceptive advertisements and sales pitches.

The companies marketed "intentionally inaccurate prices of the homes pictured, without reference to the fact that the price listed was one for the shell of the home. In fact, the advertised price did not even include such things as shingles, garage door(s), flooring or other such basic components of a newly constructed home. Ms. Lopretto, and potentially thousands of others, was never advised of this fact until she had already signed the contract for purchase and the financing paperwork."

It wasn't until after Melissa Lopretto signed the home-purchase contract that she learned the home she thought would cost less than $290,000 would in fact cost more than $350,000. She tried to cancel her contract, but representatives of the companies told her she'd lose her $5,000 deposit and risk a breach-of-contract lawsuit.

Countrywide and Countrywide KB pushed the deal through the loan approval process by using an appraisal that puffed up the value of the house by more than $80,000 over its fair market value. Countrywide "had actual knowledge that Ms. Lopretto's home was not worth its selling price or the price for which it was appraised and that the home was structurally defective."

At the loan closing, she was required to bring $46,651 in cash as a down payment. Only after she paid that money was she allowed to see the closing documents.

When she objected that her monthly payments were higher than promised, representatives of the companies told her she'd lose her $46,651 down payment -- and her $5,000 deposit -- if she backed out.

In the end, she signed a $294,000 mortgage that required her to pay a starting interest rate of 9.375%, which would never go lower but could adjust as high a 16.375%.

Meanwhile, the house has failed inspection 11 times and contains "an unbelievable amount of structural and non-structural deficiencies" and it's likely that "no reasonable person would purchase the home in its current condition, thereby rendering Ms. Lopretto's home valueless."

Response: Countrywide and KB deny wrongdoing. Countrywide accuses Ms. Lopretto of acting in “bad faith” in the deal.

Hurricane Katrina and Hurricane Rita cases

Case: Hill et al v. Countrywide Home Loans, Inc. (class action complaint).
Court: U.S. District Court for the Eastern District of Texas, transferred from Jefferson County (Texas) District Court.
Filed: Nov. 16, 2007.

Case: Hellmers et al v. Countrywide Homes Loans (class action complaint).
Court: U.S. District Court for the Eastern District of Louisiana, transferred from 21st Judicial District Court, Tangipahoa Parish, La.
Filed: Nov. 30, 2007.

Case: Berg v. Countrywide Home Loans, Inc.
Court: U.S. District Court for the Eastern District of Texas, transferred from District Court of Jefferson County, Texas, 172nd Judicial District.
Filed: May 30, 2007.

Allegations: In the wake of the devastation on the Gulf Coast, Countrywide announced that borrowers who were unable to work or whose homes were uninhabitable could take a grace period of up to 90 days without financial penalty. But rather than allowing borrowers to make up the deferred payments by making extra payments at the back end of their loans, these lawsuits claim, the company demanded these borrowers make up the difference at the end of their grace periods or forced them into costly loan modifications. These borrowers lost money "as a result of Countrywide's unfair and deceptive and unscrupulous conduct," the Hill complaint says.

Debra Lynn Berg, meanwhile, was faced with a wrongful foreclosure action by Countrywide after Hurricane Rita, when the lender reneged on its promises and demanded she pay a lump sum of roughly $15,000 to make up for the payments that were suspended during the forbearance period.

Response: In the Hellmers case, Countrywide denies it promised borrowers that deferred payments would be moved onto the end of their loans.

Case: Blades v. Countrywide Home Loans, Inc., et al (class action complaint).
Court: U.S. District Court for the Southern District of Mississippi.
Filed: Oct. 4, 2006.

Case: Owen et al v. Countrywide Home Loans, Inc.
Court: U.S. District Court for the Southern District of Mississippi, transferred from Chancery Court of Harrison County, Miss.
Filed: March 24, 2006.

Allegations: JoAnn Blades' suit claims Countrywide and its subsidiary -- Balboa Insurance Company -- engaged in a profitable scheme to bilk Gulf Coast homeowners. It did so by forcing them to pay for "phantom" homeowners insurance for structures that the Hurricanes Katrina and Rita left destroyed or simply uninsurable.

Ms. Blades informed Countrywide that Katrina had destroyed her Gulfport, Miss., home, leaving only a slab. Even so, the company "invaded" her escrow account and bought homeowner's insurance in her name through its sister company.

Joe Sam Owen and Sherry Owen's lawsuit made similar claims. Although their home was destroyed, Countrywide charged them $2,000 for insurance from Balboa and another insurer.

Response: Countrywide denies any wrongdoing and says it followed the law and obeyed its contracts with borrowers in good faith.

Outcome: The Owens case was settled in 2006. (The Blades case is still pending.)

To share legal cases or other information about Countrywide, please contact the Center for Responsible Lending at crl@responsiblelending.org.