



## Foreclosure billing scandal could spread to East Coast

By: Heather Draper

Colorado Attorney General [John Suthers](#)' investigation into law firms allegedly overbilling for foreclosure filings — or billing for filings they never made — could foreshadow similar investigations on the East Coast, according to a Cato Institute fellow and national bloggers who are following the case.

The Denver Post has published a series of articles on the local investigation this summer, citing court documents on Suthers' and other investigations.

"National mortgage and banking bloggers have taken the view that these practices are not just in Colorado," said [Walter Olson](#), Cato Institute fellow. "Colorado just happens to be the first place where the attorney general has launched an investigation. Underneath it all is a pattern you can easily see being replicated in other states."

[Carolyn Tyler](#), spokeswoman for Suthers, declined to comment on the case because the investigation is ongoing.

[Paul Jackson](#), publisher and CEO at HousingWire, said similar probes into foreclosure billing practices have begun on the East Coast, although subpoenas have not yet been issued. Those investigations focus on how law firms billed for "allowable costs" in conjunction with foreclosures on loans insured or guaranteed by government-sponsored enterprises (GSEs) [Fannie Mae](#), [Freddie Mac](#) or the Federal Housing Administration, Jackson [wrote in the HousingWire.com REwired blog](#).

"It turns out that many of the major law firms responsible for managing foreclosures for the GSEs also have a controlling interest in the ancillary service firms that generate the variable fees that appear as 'costs' on the lawyer's bill. Many law firms either outright own, or their partners have a significant interest in, the company that is posting and publishing notices; or they may own or have an interest in the company that manages process of service, as well," Jackson said.

Because federal dollars are involved, the Obama administration or Congress may get involved, Olson said.

"If federally supported housing institutions are involved and it's hurting their bottom line and it seems like they're being cheated, ... there's every reason for Obama administration or Congress or both to try to gin up an investigation if they think money is needlessly going to the legal sector," he said.

HousingWire reported that MetLife and PNC Financial Services Group Inc. also are being investigated for law firms' foreclosure expenses, citing those companies' filings with the Securities and Exchange Commission.

HousingWire pulled this from MetLife's most recently quarterly filing with the SEC: "In May 2013, MetLife Bank received a subpoena from the U.S. Department of Justice requiring production of documents relating to MetLife Bank's payment of certain foreclosure-related expenses to law firms and business entities affiliated with law firms and relating to MetLife Bank's supervision of such payments, including expenses submitted to the Federal National Mortgage Association, the Federal Home Loan Mortgage Corp. and the U.S. Department of Housing and Urban Development (HUD) for reimbursement."

From PNC's SEC filing, according to HousingWire: "PNC has received a subpoena from the U.S. Attorney's Office for the Southern District of New York seeking information regarding claims for foreclosure expenses that are incurred in connection with the foreclosure of loans insured or guaranteed by FHA, Fannie Mae or Freddie Mac. This inquiry is in its early stage, and PNC is cooperating with the investigation."

Olson said the alleged foreclosure overbilling is similar to cases where doctors refer patients to clinics where the doctors are part owners.

"When doctors own radiology clinics to which they refer patients, and it's not made clear that the doctor owns part of the MRI (magnetic resonance imaging) center, he may not be sending you to the most appropriate center, or worse yet, he might send you when it's not clear that is the best therapy," Olson said. "It gets very ugly when parties are only following the money."