

DARRELL E. ISSA, CALIFORNIA
CHAIRMAN

DAN BURTON, INDIANA
JOHN L. MICA, FLORIDA
TODD RUSSELL PLATTS, PENNSYLVANIA
MICHAEL R. TURNER, OHIO
PATRICK McHENRY, NORTH CAROLINA
JIM JORDAN, OHIO
JASON CHAFFETZ, UTAH
CONNIE MACK, FLORIDA
TIM WALBERG, MICHIGAN
JAMES LANKFORD, OKLAHOMA
JUSTIN AMASH, MICHIGAN
ANN MARIE BUERKLE, NEW YORK
PAUL A. GOSAR, D.D.S., ARIZONA
RAUL R. LABRADOR, IDAHO
PATRICK MEEHAN, PENNSYLVANIA
SCOTT DesJARLAIS, M.D., TENNESSEE
JOE WALSH, ILLINOIS
TREY GOWDY, SOUTH CAROLINA
DENNIS A. ROSS, FLORIDA
FRANK C. GUINTA, NEW HAMPSHIRE
BLAKE FARENTHOLD, TEXAS
MIKE KELLY, PENNSYLVANIA

LAWRENCE J. BRADY
STAFF DIRECTOR

ONE HUNDRED TWELFTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5074
FACSIMILE (202) 225-3974
MINORITY (202) 225-5051
<http://oversight.house.gov>

ELIJAH E. CUMMINGS, MARYLAND
RANKING MINORITY MEMBER

EDOLPHUS TOWNS, NEW YORK
CAROLYN B. MALONEY, NEW YORK
ELEANOR HOLMES NORTON,
DISTRICT OF COLUMBIA
DENNIS J. KUCINICH, OHIO
JOHN F. TIERNEY, MASSACHUSETTS
WM. LACY CLAY, MISSOURI
STEPHEN F. LYNCH, MASSACHUSETTS
JIM COOPER, TENNESSEE
GERALD E. CONNOLLY, VIRGINIA
MIKE QUIGLEY, ILLINOIS
DANNY K. DAVIS, ILLINOIS
BRUCE L. BRALEY, IOWA
PETER WELCH, VERMONT
JOHN A. YARMUTH, KENTUCKY
CHRISTOPHER S. MURPHY, CONNECTICUT
JACKIE SPEIER, CALIFORNIA

November 4, 2011

Steven J. Baum
Steven J. Baum P.C.
220 Northpoint Pkwy, Suite G
Amherst, NY 14228

Dear Mr. Baum:

I write to you today as part of an ongoing investigation I have been conducting since February 25, 2011, into allegations of misconduct by private attorneys and law firms hired to process foreclosures on behalf of Fannie Mae and Freddie Mac. Specifically, I am seeking copies of your firm's records, documents, and communications that reference or relate to improper or illegal actions in the processing of foreclosures.

On February 25, 2011, I wrote to the Federal Housing Finance Agency (FHFA) Inspector General requesting that he "initiate an investigation into widespread allegations of abuse by private attorneys and law firms hired to process foreclosures as part of the 'Retained Attorney Network' established by Fannie Mae."¹ On October 4, 2011, the Inspector General issued a report finding that FHFA and Fannie Mae had been alerted to serious problems with the legal services provided by law firms that were part of Fannie Mae's Retained Attorney Network and that there were "multiple indicators of foreclosure abuse risk prior to 2010 that could have led FHFA to identify and act earlier on the issue."²

In my request to the Inspector General, I noted the following allegations of improper actions by your firm:

[T]he U.S. Trustee Program (USTP) of the Department of Justice is investigating another firm in the Retained Attorney Network, the firm of Steven J. Baum, P.C. of Amherst, New York, for filing foreclosure documents that appear to be false or misleading;

¹ Letter from Rep. Elijah E. Cummings, Ranking Member, House Committee on Oversight and Government Reform, to the Honorable Steve A. Linick, Inspector General, Federal Housing Finance Agency (Feb. 25, 2011).

² Federal Housing Finance Agency, Office of Inspector General, *FHFA's Oversight of Fannie Mae's Default-Related Legal Services* (Sept. 30, 2011).

attempting to foreclose on borrowers after rejecting their attempts to make on-time payments; and failing to prove ownership of mortgages as it seized homes. The firm has also been accused of illegally charging for foreclosure-settlement conferences, overcharging on foreclosure fees, and racketeering.³

On October 6, 2011, the U.S. Attorney's Office for the Southern District of New York announced that it had entered into an agreement with your firm to resolve "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." The agreement requires your firm to pay "\$2 million to the United States and to extensively change its practices with respect to mortgage foreclosure actions." According to the U.S. Attorney's office, your firm acknowledges that it 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."⁴

A recent New York Times column cites a number of allegations against your firm which, taken together, illustrate that these errors may be more than inadvertent.⁵ Instead, they illustrate a disturbing pattern of abuse against homeowners and a blatant disregard for the law. The column reports that your firm is "under investigation by the New York State Attorney General," is a defendant in a class action suit claiming that you "consistently failed to file certain papers that are necessary to allow for a state-mandated settlement conference that can lead to modification," and has been described by a New York State Supreme Court Judge as "operating in a parallel universe, unrelated to the real universe."⁶

The column also sets forth a series of disturbing photographs provided by a former employee allegedly taken at your firm's 2010 Halloween party. The column provides an overview of the photographs as described by the former employee:

³ *Id.* See Federal Home Loan Mortgage Corp. v. Raia, SP 002253/10, District Court of Nassau County, New York (Hempstead); Campbell v. Baum, 10-cv-3800, U.S. District Court, Eastern District of New York (Brooklyn); Menashe v. Steven J. Baum P.C, 10-cv-5155, U.S. District Court, Eastern District of New York (Central Islip); and Baum v. Lask, 2010- 012048, New York Supreme Court, Erie County (Buffalo).

⁴ U.S. Attorney's Office, Southern District of New York, *Press Release: Manhattan U.S. Attorney Announces Agreement With Mortgage Foreclosure Law Firm to Overhaul Its Practices and Pay \$2 Million Fine* (Oct. 6, 2011) (online at www.appellate-brief.com/images/stories/PDF/10-6-11USAttyPR.pdf).

⁵ Joe Nocera, *What the Costumes Reveal*, New York Times (Oct. 28, 2011) (online at www.nytimes.com/2011/10/29/opinion/what-the-costumes-reveal.html?_r=1).

⁶ Joe Nocera, *A Happy Ending to a Raw, but Common, Tale*, New York Times (Dec. 3, 2010) (online at www.nytimes.com/2010/12/04/business/04nocera.html?pagewanted=2).

[The pictures show] Baum employees ... dressed like homeless people. One is holding a bottle of liquor. The other has a sign around her neck that reads: “3rd party squatter. I lost my home and I was never served.” My source said that “I was never served” is meant to mock “the typical excuse” of the homeowner trying to evade a foreclosure proceeding. A second picture shows a coffin with a picture of a woman whose eyes have been cut out. A sign on the coffin reads: “Rest in Peace. Crazy Susie.” The reference is to Susan Chana Lask, a lawyer who had filed a class-action suit against Steven J. Baum—and had posted a YouTube video denouncing the firm’s foreclosure practices. “She was a thorn in their side,” said my source.

A third photograph shows a corner of Baum’s office decorated to look like a row of foreclosed homes. Another [photo] shows a sign that reads, “Baum Estates”—needless to say, it’s also full of foreclosed houses. Most of the other pictures show either mock homeless camps or mock foreclosure signs—or both.

According to the column, the source told the author:

She wanted me to see [the pictures] because they showed an appalling lack of compassion toward the homeowners—invariably poor and down on their luck—that the Baum firm had brought foreclosure proceedings against. [S]he added that the snapshots are an accurate representation of the firm’s mind-set. “There is this really cavalier attitude,” she said. “It doesn’t matter that people are going to lose their homes.” Nor does the firm try to help people get mortgage modifications; the pressure, always, is to foreclose.

Given that your firm represents some of the nation’s largest mortgage servicers, including Citigroup, JPMorgan Chase, Bank of America, Wells Fargo, GMAC Ally, and HSBC, these revelations are disturbing.⁷ If true, they demonstrate a culture of disdain for families suffering foreclosure and a disregard for the rule of law.

As part of my ongoing investigation into actions by your firm, I request that you provide, no later than November 18, 2011, copies of all documents, records, court filings or pleadings, communications (including emails), reports, and audits relating to:

- (1) false or misleading foreclosure documents, “robo-signed” documents, or improper mortgage assignments;
- (2) attempts by your firm to foreclose on borrowers who were attempting to obtain, or who had obtained, loan modifications;

⁷ Joe Nocera, *What the Costumes Reveal*, New York Times (Oct. 28, 2011) (online at www.nytimes.com/2011/10/29/opinion/what-the-costumes-reveal.html?_r=1). See also *Firm Dominates Foreclosures, but Faces Growing Criticism*, New York Law Journal (Feb. 17, 2011) (online at www.law.com/jsp/law/article.jsp?id=1202482932807&Firm_Dominates_Foreclosures_but_Faces_Growing_Criticism).

- (3) instances in which your firm illegally or improperly charged for foreclosure settlement conferences, overcharged on foreclosure fees, or attempted to persuade foreclosure defendants to waive their legal rights;
- (4) preparing for, carrying out, or communicating about your firm's 2010 Halloween party; and
- (5) instances in which your firm compensated Fannie Mae, Freddie Mac, or a client for improper foreclosure practices.

When producing documents to the Committee, please deliver production sets to the Minority Staff in Room 2471 of the Rayburn House Office Building and the Majority Staff in Room 2157 of the Rayburn House Office Building. The Committee prefers, if possible, to receive all documents in electronic format. If you have any questions, please contact Lucinda Lessley or Davida Walsh with the Committee staff at (202) 225-5051.

Sincerely,



Elijah E. Cummings
Ranking Member

cc: The Honorable Darrell E. Issa, Chairman
Committee on Oversight and Government Reform