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CFPB, 47 States and D.C. Take Action Against JPMorgan Chase for Selling Bad Credit Card Debt and Robo-Signing Court Documents

Chase Ordered to Overhaul Debt Sales and Halt Collections on 528,000 Consumers' Accounts

WASHINGTON, D.C. – Today the Consumer Financial Protection Bureau and Attorneys General in 47 states and the District of Columbia took action against JPMorgan Chase for selling bad credit card debt and illegally robo-signing court documents. The CFPB and states found that Chase sold “zombie debts” to third-party debt buyers, which include accounts that were inaccurate, settled, discharged in bankruptcy, not owed, or otherwise not collectible. The order requires Chase to document and confirm debts before selling them to debt buyers or filing collections lawsuits. Chase must also prohibit debt buyers from reselling debt and is barred from selling certain debts. Chase is ordered to permanently stop all attempts to collect, enforce in court, or sell more than 528,000 consumers' accounts. Chase will pay at least \$50 million in consumer refunds, \$136 million in penalties and payments to the CFPB and states, and a \$30 million penalty to the Office of the Comptroller of the Currency (OCC) in a related action.

“Chase sold bad credit card debt and robo-signed documents in violation of law,” said CFPB Director Richard Cordray. “Today we are ordering Chase to permanently halt collections on more than 528,000 accounts and overhaul its debt-sales practices. We will continue to be vigilant in taking action against deceptive debt sales and collections practices that exploit consumers.”

Chase Bank, USA N.A. and its subsidiary Chase BankCard Services, Inc. are based in Newark, Del. and provide consumers with credit card accounts. From 2009 to 2013, when consumers defaulted on debts, Chase attempted to collect by contacting consumers, filing collections lawsuits, and selling accounts to third-party debt buyers. When Chase sold accounts, it provided debt buyers with an electronic sale file containing certain basic information about the debts from Chase's internal databases, which the debt buyers used to collect on the debts. Chase was also responsible for preparing affidavits to verify debts when it or its debt buyers filed lawsuits to collect on defaulted credit card debts.

The CFPB found that Chase violated the Dodd-Frank Wall Street Reform and Consumer Protection Act's prohibitions against unfair, deceptive, or abusive acts and practices. Chase sold

faulty and false debts to third-party collectors, including accounts with unlawfully obtained judgments, inaccurate balances, and paid-off balances. Chase also sold debts that were owed by deceased borrowers. Chase also filed misleading debt-collections lawsuits against consumers using robo-signed and illegally sworn statements to obtain false or inaccurate judgments for unverified debts. Specifically, the CFPB and states found that Chase:

- **Sold bad debts to third-party debt buyers:** Chase sold certain accounts that had already been settled by agreement, paid in full, discharged in bankruptcy, identified as fraudulent and not owed by the debtor, subject to an agreed-upon payment plan, no longer owned by Chase, or that were otherwise no longer enforceable. Chase also sold debts with missing or erroneous information such as whether the debt had been paid and the amount owed.
- **Assisted third-party debt buyers in deceptively collecting debt:** By selling inaccurate or uncollectable debts, Chase subjected certain consumers to debt collection by its debt buyers on accounts that were not theirs, in amounts that were incorrect or uncollectable. Chase knew, or should have known, that third-party debt buyers would seek to collect these faulty debts. Therefore, by providing inadequate or incorrect information, Chase assisted debt buyers in deceptive collection activities.
- **Robo-signed affidavits to sue consumers for unverified debt:** Chase filed more than 528,000 debt collections lawsuits against consumers and provided more than 150,000 sworn statements to debt buyers for their collections lawsuits against consumers, often using robo-signed documents. In doing so, Chase systematically failed to prepare, review, and execute truthful statements as required by law. Chase also made calculation errors when filing debt collection lawsuits that sometimes resulted in judgments against consumers for incorrect amounts. Chase failed to notify consumers and the courts once it learned of these problems.

Enforcement Action

Pursuant to the Dodd-Frank Act, the CFPB has the authority to take action against institutions or individuals engaging in unfair, deceptive, or abusive acts or practices or that otherwise violate federal consumer financial laws. Chase suspended collections litigation in 2011 and stopped selling debts in 2013. The CFPB and state actions provide relief for injured consumers, prohibit Chase from reviving its unlawful practices, and impose penalties for Chase's law violations. Specifically, the order requires Chase to:

- **Cease collecting on 528,000 accounts:** Chase cannot collect, enforce in court, sell, or transfer debts for consumers whose Chase credit card accounts were sent to collections litigation between January 1, 2009 to June 30, 2014. If Chase previously obtained a court

judgment requiring consumers to pay the debt, Chase will notify the consumer that they will not try to collect, enforce, or sell the judgment. Chase will also contact the three major credit reporting companies to request that the judgments not be reported against consumers. These accounts had an original face value estimated at several billion dollars when Chase sent them to collections litigation. The actual market value is now estimated in the tens or hundreds of millions of dollars. Debt relief of this kind permanently protects consumers from any further collections and judgments on these accounts.

- **Pay at least \$50 million in cash redress to consumers:** Chase will pay cash refunds to consumers against whom collections litigation was pending between January 1, 2009 and June 30, 2014, for amounts paid above what the consumer owed when the debt was referred for litigation, plus 25 percent of the excess amount paid.
- **Prohibit debt buyers from reselling accounts:** Chase must require by contract or agreement that debt buyers cannot resell debts purchased from Chase, unless to sell back to Chase.
- **Confirm debt before selling to debt buyers:** Chase cannot sell debts that have been paid, settled, discharged, or are otherwise uncollectable. Prior to sale, Chase must provide account-level documentation to debt buyers confirming that the debts are accurate and enforceable. For a minimum of three years after selling the debt, Chase must make certain additional account information available to debt buyers including agreements, statements, and dispute records.
- **Notify consumers that their debt has been sold and make their account information available to them:** Chase must notify consumers when their account is sold and reveal who purchased the account, the amount owed at the time of sale, and that consumers can request further information about their accounts at no charge.
- **Not sell zombie debts and other specified debts:** Chase may not sell debts that do not have the required documentation, have been charged off for over three years or where the consumer has not paid for three years, are in litigation, are owed by a servicemember, are owed by someone who is deceased, or where the debtor has a payment plan.
- **Withdraw, dismiss, or terminate collections litigation:** Chase will withdraw, dismiss, or terminate all pre-judgment collections litigation pending at any time after January 1, 2009.
- **Stop robo-signing affidavits:** Declarations must be signed by hand, must reflect the actual date of signing, and must be based on the direct knowledge of the person signing and their review of Chase's business records. Supporting documents submitted for debt collection litigation must be actual records of the debt, verified to be accurate, and not created solely for litigation.

- **Verify debts when filing a lawsuit:** When filing collections lawsuits, Chase is required to submit specific information associated with the debt including the name of the creditor at the time of the last payment, the date of the last extension of credit, the date of the last payment, the amount of debt owed, and a breakdown of any post-charge-off interest and fees.
- **Pay \$30 million civil penalty:** Chase will pay a fine for its unlawful debt sales and robo-signing practices.

Chase must also implement policies, procedures, systems, and controls to ensure compliance with federal consumer financial laws when selling and collecting debts.

The Bureau is joined by 47 states and the District of Columbia in today's action. The Bureau also worked in coordination with the OCC, which entered into a related agreement with Chase in 2013. The total relief to consumers includes debt relief associated with halting collections on more than 528,000 consumers' accounts and at least \$50 million in refunds. The amount of penalties and payments to states includes a \$30 million civil penalty paid to the CFPB, a \$30 million civil penalty paid to the OCC on the related matter, and \$106 million in payments to states.

A copy of the consent order can be found

at:http://www.consumerfinance.gov/f/201507_cfpb_consent-order-chase-bank-usa-na-and-chase-bankcard-services-inc.pdf

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov.