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June 1, 2011

Mr. Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
1700 G Street, NW
Washington, DC 20552

Dear Mr. Pollard:

In late March, the law firm of Shapiro & Burson LLP, which has been “accused of improper handling of more than 1,000 deeds for Maryland homes in foreclosure,” was stripped from Freddie Mac’s list of approved foreclosure law firms in Maryland.¹ On April 11, 2011, I wrote to Charles Haldeman, Chief Executive Officer of Freddie Mac, to request additional information about the specific abuses by Shapiro & Burson that led to this removal.² On May 13, 2011, you responded with significant new details and data about the firm’s activities, its billing practices, and the mortgage servicing companies it had as its primary clients.³

This new information reveals a much more egregious level of abuse than previously known and raises significant new questions about why this law firm has not been banned from processing foreclosures on behalf of Fannie Mae in the same way it has been banned from processing them for Freddie Mac. I thank you for working with us to better understand this evolving situation.

¹ *Shapiro & Burson No Longer a Freddie Mac-Recommended Foreclosure Law Firm*, Baltimore Sun (Mar. 31, 2011) (online at http://articles.baltimoresun.com/2011-03-31/business/bs-bz-shapiro-burson-freddie-20110331_1_foreclosure-law-foreclosure-cases-firm).

² Letter from Congressman Elijah E. Cummings, Ranking Member, Committee on Oversight and Government Reform, to Mr. Charles E. Haldeman, Jr. Chief Executive Officer, Freddie Mac (April 11, 2011).

³ Letter from Alfred M. Pollard, General Counsel, Federal Housing Finance Agency, to Congressman Elijah E. Cummings, Ranking Member, Committee on Oversight and Government Reform (May 13, 2011).

New Information About Abuses by Shapiro & Burson

Your May 13 letter explains that Shapiro & Burson was removed from Freddie Mac's list of approved foreclosure law firms in the State of Maryland because "that firm had for an extended period of time engaged in unacceptable and improper practices in foreclosure actions."⁴

Your letter also explains that the firm had been aware of serious internal abuses since at least 2007. As your letter explains:

Freddie Mac's review revealed that Mr. Burson [a principal of Shapiro & Burson] was aware of unacceptable document execution practices as early as 2007. Although Mr. Burson took appropriate action to stop the practices by some employees at that time, the remedy was temporary and unacceptable practices continued and expanded over an extended period of time.⁵

Your letter also explains the scope of abuses the firm engaged in that led to its disqualification:

Among the unacceptable practices were employees signing other employees' names and employees signing their own names when a different name was on the face of the document and executing affidavits without verifying their accuracy.⁶

According to the documents you provided, Shapiro & Burson's practices may have facilitated wrongful foreclosures by many different mortgage servicing companies. From January 1, 2011, to March 21, 2011, these records show that at least 19 separate mortgage servicers sought reimbursements for fees and disbursements charged by Shapiro & Burson. The largest reimbursements were sought by Wells Fargo Home Mortgage Inc., while other Shapiro & Burson clients included Bank of America, Chase Home Finance LLC (JP Morgan Chase Bank), PNC Bank, SunTrust Mortgage Inc., and Lehman Brothers Bank (Aurora Loan Services). The records do not indicate the extent to which these mortgage servicing companies are continuing to use Shapiro & Burson to process foreclosures on other, non-Freddie Mac mortgages.

You also provided data regarding Shapiro & Burson's questionable billing history. According to this data, the fees and other charges received by Shapiro & Burson for Freddie Mac-related foreclosures nearly doubled from 2009 to 2010. Yet the data you provided show that the total number of foreclosures referred to Shapiro & Burson remained about the same. Specifically, your letter states that "[i]n 2009 and 2010 respectively, S&B received 5573 and 5953 foreclosure referrals from Freddie Mac Servicers." According to the billing records, however, Shapiro & Burson's fees and other charges increased from about \$3.3 million to about \$6.3 million in this same time period.

⁴ *Id.*

⁵ *Id.*

⁶ *Id.*

Request for Additional Information

The new information you have provided raises significant new questions about Shapiro & Burson, especially in light of media reports relating to its practices and ongoing hearings being conducted in Maryland involving this firm.⁷ For these reasons, I request the following additional information:

- First, it is unclear why Shapiro & Burson remains on Fannie Mae's most recent list of approved foreclosure law firms in Maryland.⁸ Since your agency is the conservator for both Freddie Mac and Fannie Mae, I request that you provide additional information about this apparent discrepancy.
- Second, I request that you provide additional information about why payments to Shapiro & Burson nearly doubled from 2009 to 2010, when the number of foreclosures referred to the firm remained about the same.
- Third, I request that you provide Committee staff with access to a subset of additional documents pertaining to Shapiro & Burson that were listed on your log of withheld documents. Specifically, I request that you allow staff to review Shapiro & Burson's internal investigation and "e-mail communications between Freddie Mac and S&B, with attachments, concerning the firm's internal investigation."⁹

At this time, I am not requesting access to the additional documents listed on your log of withheld documents.

Please provide the requested information by June 20, 2011. 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.

⁷ *Accuser Sits in on Foreclosure Hearing*, Daily Record (May 23, 2011) (reporting that a former Shapiro & Burson employee provided a CD to the Special Master conducting hearings that "contains nearly 8,000 signed and notarized documents bearing Savage's name [an attorney with S&B] that were signed by an attorney who was not on staff at Shapiro & Burson").

⁸ Fannie Mae, Retained Attorney List (May 20, 2011) (online at www.efanniemae.com/sf/technology/servinreport/amn/pdf/retainedattorneylist.pdf).

⁹ Letter from Alfred M. Pollard, General Counsel, Federal Housing Finance Agency, to Congressman Elijah E. Cummings, Ranking Member, Committee on Oversight and Government Reform (May 13, 2011).

Mr. Alfred M. Pollard

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Please contact Lucinda Lessley with the Committee staff at (202) 225-5051 with any questions regarding this matter. Again, I want to thank you for your cooperation with my previous request and for your ongoing cooperation with this matter.

Sincerely,


Elijah E. Cummings
Ranking Member

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