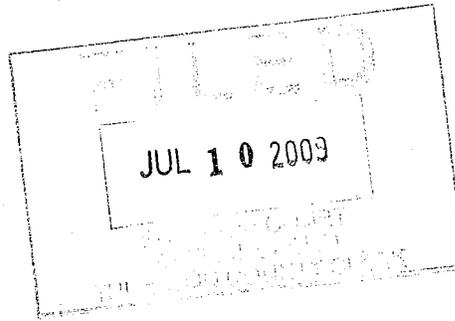


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1 EXPEDITE
2 No Hearing Set
3 Hearing is Set
4 Date:
5 Time:



7 **IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON**
8 **IN AND FOR THE COUNTY OF THURSTON**

9 STATE OF WASHINGTON,

10 Plaintiff,

11 v.

12 COUNTRYWIDE FINANCIAL
13 CORPORATION, a Delaware corporation;
14 COUNTRYWIDE HOME LOANS, INC., a
15 New York corporation; and FULL SPECTRUM
16 LENDING, INC., a California corporation,

17 Defendants.

NO. 09 2 01690 8

**COMPLAINT FOR INJUNCTIVE
AND OTHER RELIEF UNDER THE
CONSUMER PROTECTION ACT**

16 Plaintiff STATE OF WASHINGTON acting by and through the Office of the Attorney
17 General, Consumer Protection Division, by and through its attorneys, Robert M. McKenna,
18 Attorney General, and David W. Huey, Assistant Attorney General, brings this action pursuant
19 to the Unfair Business Practices—Consumer Protection Act, Chapter 19.86 RCW. Plaintiff
20 seeks a permanent injunction and an order compelling Defendants to pay restitution to
21 consumers, attorney's fees and costs.
22

23 **JURISDICTION AND AUTHORITY**

24 1. Under the provisions of the Consumer Protection Act, RCW 19.86.020 and RCW
25 19.86.080 the Office of the Attorney General may bring an action whenever it has reason to
26

1 **VENUE**

2 8. Venue of this suit lies in Thurston County, State of Washington for the following
3 reasons:

4 a. Under Superior Court Civil Rule 82, venue is proper because
5 Defendants engaged in the origination and funding of real estate secured, owner-
6 occupied, residential mortgage loans and have transacted business within the State of
7 Washington and County of Thurston.
8

9 b. Under RCW 4.17.025, venue is proper in Thurston County, State of
10 Washington because the violations of law alleged herein were committed throughout
11 the State of Washington and in the County of Thurston.
12

13 **PUBLIC INTEREST**

14 9. The Attorney General has reason to believe that Defendant has engaged in the
15 unlawful practices described below. The Attorney General also has reason to believe that
16 Defendant has caused and will continue to cause injury, loss and damage not only to
17 Washington consumers, but also to legitimate businesses which lawfully conduct trade and
18 commerce in the State of Washington, including those which make legitimate mortgage
19 transactions. The Consumer Protection Division of the Office of the Attorney General believes
20 that this action is in the public interest.
21

22 **TRADE OR COMMERCE**

23 10. Defendants have, at all times relevant, engaged in trade or commerce within the
24 meaning of RCW 19.86.010(2).
25
26

1 misled borrowers by enticing borrowers with low teaser rates, low monthly payments and "no
2 closing cost" loans that failed to make clear and conspicuous disclosures of the products'
3 risks. To increase market share, Defendants dispensed with many standard underwriting
4 guidelines and offered "low" documentation and "no-documentation" loans to place
5 unqualified borrowers in loans which ultimately they could not afford. Defendants
6 encouraged borrowers to trust their guidance and then placed borrowers in loans that
7 contained layers of unduly risky features, such as low introductory "teaser" rate adjustable rate
8 mortgages, interest-only mortgages, pay option ARMs and mortgage loans for 100% of the
9 value of borrowers' homes. Defendants failed to inform borrowers fully of the risks of these
10 products.
11

12
13 15. Defendants shifted the risk of the failure of these non-traditional loans by
14 bundling these loans and selling them to investors in the secondary market. The securitization
15 of these loans allowed Defendants to shift much of the risk and gain much needed capital to
16 fuel the loan origination process and reach their goal of capturing more and more market share.
17 As the risky loans began to fail, Defendants were forced to repurchase or replace the failing
18 loans in the investor pools.

19
20 16. The repurchase of defaulting loans increased the financial pressure on Defendants
21 to generate more and more loan originations with less and less adherence to standard
22 underwriting guidelines. To increase the number of loans, Defendants also provided
23 incentives for their employees and brokers to solicit existing customers for re-financing, even
24 though not requested by the customer, and place them in higher risk re-financed loans.
25
26

1 17. Defendants' unfair and deceptive business practices have caused many
2 thousands of borrowers damages, including but not limited to foreclosures of their homes,
3 loan defaults and delinquencies, excessive interest, penalty, and loan re-payment costs, and
4 damage to their credit ratings. Defendants' practices also have caused a decrease in home
5 values and deterioration of neighborhoods throughout the country and including Washington
6 State.
7

8 **COUNT I**
9 **CONSUMER PROTECTION ACT VIOLATIONS**

10 18. Plaintiff realleges and incorporates by reference the allegations of Paragraphs 1
11 through 17 of this Complaint.

12 19. The Defendants engaged in trade or commerce within the meaning of RCW
13 19.86.010, The Washington Consumer Protection Act, by making loans to borrowers.
14 Defendants advertise, offer, solicit sales of, and sell real estate secured loans and related goods
15 and services to Washington borrowers.

16 20. The Defendants engaged in the business of making loans to Washington
17 borrowers that were secured by those borrowers' homes. Defendants used unfair or deceptive
18 promotions, marketing and sales techniques to induce primarily low and moderate-income
19 homeowners to refinance their mortgages and consolidate their debts using Defendants' real-
20 estate secured loan products.
21

22 21. In the course of their dealings with borrowers and in furtherance of their own
23 direct pecuniary and business gains, Defendants committed unfair or deceptive acts or
24 practices, or made material misrepresentations or omissions in violation of Chapter 19.86
25 RCW, the Washington Consumer Protection Act.
26

1 22. In the course of their dealings with borrowers and in furtherance of their own
2 direct pecuniary and business gains, Defendants acted in violation of Chapter 19.86 RCW, the
3 Washington Consumer Protection Act, relating to the business of making retail residential
4 loans to borrowers in the State of Washington.

5 **WHEREFORE**, Plaintiff prays for judgment as follows:

6 That Defendants, their direct and indirect subsidiaries, affiliates, officers, directors,
7 employees, agents, related entities, successors, and assigns, and any and all other persons who
8 act under, by, through, or on behalf of Defendants be permanently restrained and enjoined
9 from the following:
10

11 A. Engaging in unfair or deceptive acts or practices in the conduct of trade or
12 commerce in violation of Chapter 19.86 RCW, the Washington Consumer Protection
13 Act, relating to the marketing or sale of loans to consumers in the State of Washington.

14 B. Doing any of the wrongful acts referenced in this Complaint or any other act in
15 violation of Chapter 19.86 RCW, the Washington Consumer Protection Act, relating to
16 the business of making retail residential mortgage loans to consumers in the State of
17 Washington.
18

19 In addition, Plaintiff respectfully prays that this court will:

20 C. Order Defendants to restore all money or other property taken from identifiable
21 persons by means of unlawful acts or practices, or in the alternative award judgment for
22 damages to compensate for such losses.
23

24 D. Order Defendants to pay Plaintiff State of Washington attorneys fees and costs
25 of court pursuant to RCW 19.86.080.
26

1 E. Grant all other relief to which the Plaintiff, State of Washington, may show
2 itself entitled.
3

4 DATED this 6th day of July, 2009.
5
6

7 ROBERT M. MCKENNA
8 Attorney General

9
10 

11 DAVID W. HUEY
12 WSBA #31380
13 Assistant Attorney General
14 Attorneys for Plaintiff
15 State of Washington
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