



Fact Sheet: CIT Group's Financial Freedom is Responsible for nearly 40% of HECM Reverse Mortgage Foreclosures

FOIA Request to HUD: In November 2014, based on the stories CRC was hearing from consumers, it filed a Freedom of Information Act (FOIA) request with the Department of Housing and Urban Development (HUD), the regulator of the federal reverse mortgage program. CRC's FOIA request asked for data about the number of consumer complaints filed against Financial Freedom, the number of foreclosures Financial Freedom had conducted since being purchased by OneWest, the number of "widow foreclosures" nationally, and information about HUD's process for designing a new policy to respond to "widow foreclosures" on reverse mortgages.¹

HUD initially declined CRC's request for a fee waiver on the FOIA request, CRC appealed, and HUD declined the appeal, citing the "ephemeral" nature of the appeal.² In the fall of 2015, CRC sued HUD for improperly denying the fee waiver request.³ HUD later agreed to provide a fee waiver and a response to CRC's amended FOIA request.

In April, HUD provided a limited answer to CRC's FOIA request, but could not supply all of the information, including complaint data about Financial Freedom because: "it will require a dedicated full-time person approximately 120 years."⁴

Background: In 2009 the failed IndyMac Bank, (including its reverse mortgage subsidiary, Financial Freedom) was sold by the FDIC to a group of billionaire investors who renamed it OneWest Bank. In 2014, CIT Group announced plans to acquire OneWest Bank, creating a "Too Big To Fail" bank. The California Reinvestment Coalition (CRC) opposed this merger, along with over 100 organizations, and 21,000 individuals.⁵ Since the merger was announced, CRC heard from a number of widows and other heirs about their bad experiences with Financial Freedom reverse mortgages and foreclosures.

A number of impacted consumers and attorneys testified at a public hearing about the merger, held by the Federal Reserve and OCC in February 2015. The

consumers and attorneys shared similar stories of mixed messages and inaccurate information, troubling origination experiences, lengthy delays, and more.⁶ The merger was conditionally approved in July, 2015.

HUD: “FOIA Request could take us 120 years”

In April 2016, HUD provided a limited amount of the data CRC requested. However, much of the information, including the number of complaints filed against Financial Freedom was not provided, because, according to HUD, *“it will require a dedicated full-time person approximately 120 years.”*⁷

In contrast, using the Consumer Financial Protection Bureau’s online complaint database to locate complaints against Financial Freedom takes only a few minutes and can be conducted by anybody with access to the internet.

Advocates question how HUD can regulate an entire industry if it doesn’t have ready access to data about the number of consumer complaints it has received so that it can identify and respond to problematic companies, trends and practices.

HUD: Financial Freedom is responsible for more than 1/3 of HECM foreclosures

HUD’s FOIA response indicated that since April 2009, there have been 41,237 foreclosures on reverse mortgages that are part of the FHA Home Equity

Conversion Mortgage (HECM) program. HUD also disclosed that of these 41,237 foreclosures, Financial Freedom was responsible for at least 16,220 foreclosures.⁸ The National Reverse Mortgage Lender Associations estimates there are approximately 616,000 reverse mortgage loans currently outstanding.⁹ As of March 31, 2015, Financial Freedom’s servicing portfolio consisted of 104,050 loans¹⁰ and the former CEO of

Despite only servicing an estimated 17% of the market, Financial Freedom is responsible for 39% of the reverse mortgage foreclosures that have happened since April 2009.

OneWest testified that 95% of Financial Freedom’s portfolio is insured by FHA¹¹, so CRC estimates Financial Freedom services approximately 17% of the market.

CIT Group Discloses Subpoenas from HUD about Financial Freedom: In CIT Group’s recent 10-K filing, the bank disclosed receiving multiple subpoenas from HUD’s Office of Inspector General in the third and fourth quarters of 2015: “The subpoenas request documents and other information related to the servicing of HECM loans and the curtailment of interest payments on HECM loans.”¹²

CRC calls for moratorium on CIT Group reverse mortgage foreclosures

Based on CIT's disproportionate share of foreclosures, the HUD OIG investigation, HUD's inability to determine the extent of consumer complaints against Financial Freedom, and the experiences of witnesses as recounted at the merger hearing and elsewhere, CRC is calling on HUD to impose a moratorium on CIT Group/Financial Freedom foreclosures on additional HECM households until the following three conditions are met:

- 1) **Financial Freedom must provide a plausible explanation to HUD and to the public as to why its share of foreclosures is more than twice its estimated share of the reverse mortgage market.** HUD must assess Financial Freedom's explanation(s) about its disproportionate share of foreclosures and determine what, if any, corrective actions need to be taken. Given CRC research about OneWest foreclosures being concentrated (on conventional mortgages) in communities of color, and that HECMs are used by seniors, HUD should assess if there are any fair housing or lending issues raised.¹³ This information should be shared with the public.
- 2) **HUD's Office of Inspector General must share with the public and with CIT Group's primary regulator, the Office of the Comptroller of the Currency, more information about its investigation of Financial Freedom, including:**
 - a. Why it's investigating Financial Freedom?
 - b. How these problems are potentially impacting homeowners right now?
 - c. If there will be redress or compensation for people who may have been harmed by any problematic practices in the past?
 - d. What HUD will do so that improper practices do not continue or recur?
- 3) **HUD must find a way to identify the number, nature and disposition of consumer complaints it has received against Financial Freedom since the company was purchased in 2009.** As the primary regulator for this industry, it is inexcusable that HUD does not have access to data about consumer complaints made against the companies and industries it is supposed to be regulating. If necessary, HUD should consult with and look to the CFPB to better understand how to accept and use complaint data to identify and act on troubling industry practices and bad actors.

¹ CRC's FOIA Request dated November 19, 2014, available at:

<http://calreinvest.org/system/resources/W1siZiIsIjIwMTUvMTAvMDUvMTRfMzhfMDVfNjQ3X0NSQ19GT0lBX3JlcXVlc3RfdG9fSFVELnBkZiJdXQ/CRC%20FOIA%20request%20to%20HUD.pdf>

² CRC Blog Post, March 12, 2015: "HUD Denied Our Fee Waiver for a FOIA Request about Reverse Mortgage Complaints" available at: <https://calreinvest.wordpress.com/2015/03/12/hud-denied-our-foia-request-fee-waiver-about-reverse-mortgage-complaints/>

³ *Reverse Mortgage Daily*: "Nonprofit Sues HUD Over Reverse Mortgage Non-Borrowing Spouse Info" October 6, 2015, available at: <http://reversmortgagedaily.com/2015/10/06/nonprofit-sues-hud-over-reverse-mortgage-non-borrowing-spouse-info/>

⁴ HUD letter to CRC, April 15, 2016, available [here](#).

⁵ For more information about this merger, and why it set records for people and organizations opposing it, visit www.badbankmerger.com

⁶ CRC Blog Post, March 9, 2015: "Surviving Heirs Testify About Their Experiences with Financial Freedom and OneWest Bank Foreclosures" <https://calreinvest.wordpress.com/2015/03/09/surviving-heirs-testify-about-their-experiences-with-financial-freedom-and-onewest-bank-foreclosures/>

⁷ HUD letter to CRC, April 15, 2016, available [here](#).

⁸ HUD letter to CRC, April 15, 2016, available [here](#).

⁹ NRMLA website: <https://www.nrmlaonline.org/2015/12/23/americas-seniors-holding-5-76-trillion-in-home-equity-senior-home-values-outperform-others-says-nrmla>

¹⁰ "Fitch Affirms Financial Freedom's U.S. RMBS Servicer Rating; Maintains Negative Outlook"

<https://www.fitchratings.com/site/fitch-home/pressrelease?id=997182>

¹¹ Federal Reserve and OCC public hearing about the OneWest and CIT Group merger, Public Meeting transcript from Panel 1-8, testimony by Joseph Otting, who was CEO at the time of OneWest Bank. Available at:

<https://www.federalreserve.gov/bankinfo/reg/cit-group-onewest-application-materials.htm>

¹² CIT Group Form 10-K, Available at: <http://ir.cit.com/Cache/c33261141.html>

¹³ See CRC June 9, 2015 press release and accompanying maps about 68% of OneWest foreclosures occurring in zip codes where more than 50% of the population is non-white: "New Research Confirms OneWest Foreclosures Concentrated in Communities of Color, Adding to Fair Lending Concerns" Available at:

<https://badbankmerger.com/maps/>