STATE OF NORTH CAROLING ED

IN THE GENERAL COURT OF JUSTICE SUPERIOR COURT DIVISION

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WAKE COUNTY OC.S.C

WAKE COUNTY

FILE NO.

THE STATE OF NORTH CAROLINA,

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Plaintiff,

v.

LENDER PROCESSING SERVICES, INC., a Delaware Corporation; LPS DEFAULT SOLUTIONS, INC., a Delaware Corporation, and DOCX, LLC, a Georgia Limited Liability Company,

Defendants.

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

- 1. Plaintiff, THE STATE OF NORTH CAROLINA, by and through ROY COOPER, Attorney General of the State of North Carolina, brings this action complaining of Defendants, LENDER PROCESSING SERVICES, INC., LPS DEFAULT SOLUTIONS, INC., and DOCX, LLC, for violating the North Carolina Unfair and Deceptive Trade Practices Act, N.C.G.S. §§ 75-1.1, et seq., as follows:
- 2. The North Carolina Attorney General brings this lawsuit pursuant to the North Carolina Unfair and Deceptive Trade Practices Act, N.C.G.S. §§ 75-1.1, et seq.

JURISDICTION AND VENUE

3. This action is brought for and on behalf of THE STATE OF NORTH CAROLINA, by and through ROY COOPER, Attorney General of the State of North Carolina pursuant to the provisions of the authority found in Chapters 75 and 114 of the North Carolina General Statutes, N.C.G.S. §§75-15 et seq, and 114-1, et seq.

- 4. This Court has jurisdiction over the parties and subject matter.
- 5. Venue in this court is proper.

PARTIES

- 6. Plaintiff, THE STATE OF NORTH CAROLINA (hereinafter "the State"), by Roy Cooper, Attorney General of the State of North Carolina is charged, inter alia, with the enforcement of the North Carolina Unfair and Deceptive Trade Practices Act, N.C.G.S. §§ 75-1.1, et seq.
- 7. Defendant, LENDER PROCESSING SERVICES, INC. ("LPS"), is a Delaware corporation with its principal place of business at 601 Riverside Avenue, Jacksonville, Florida 32204.
- 8. Defendant, LPS DEFAULT SOLUTIONS, INC. ("Default Solutions"), is a Delaware corporation with its principal place of business at 601 Riverside Avenue, Jacksonville, Florida 32204. Default Solutions is a wholly owned subsidiary of LPS.
- 9. Defendant, DOCX, LLC ("DocX"), was a Georgia limited liability company and a wholly owned subsidiary of LPS, with its principal place of business in Alpharetta, Georgia. DocX operations were discontinued in 2010.

IN OR AFFECTING COMMERCE

- 10. Section 75-1.1 of the North Carolina Unfair and Deceptive Trade Practices

 Act provides that "'commerce' includes all business activities, however denominated, but
 does not include professional services rendered by a member of a learned profession."
- 11. Defendants were at all times relative hereto, engaged in commerce in the State of North Carolina by creating, signing, recording, notarizing, and otherwise placing into

the stream of commerce mortgage-related documents in North Carolina, as well as selling mortgage default servicing services for mortgages held in North Carolina.

BACKGROUND

- 12. LPS is the largest provider in the United States of technology, data, and services to mortgage lenders and servicers. LPS provides technology support to banks and mortgage loan servicers for various processes throughout the life of a residential mortgage loan. It has over 30 subsidiaries throughout the nation. In relevant part, LPS is a provider of default, foreclosure and bankruptcy technology service platforms for mortgage servicers.
- 13. DocX is a subsidiary of LPS that was located in Alpharetta, Georgia (acquired in 2005 by Fidelity National Financial and spun off under LPS in 2008 as part of a corporate reorganization). DocX ceased operations in the spring of 2010. DocX performed various functions for mortgage servicers, including but not limited to preparation, execution, notarization and recording of lien releases, assignments of mortgage, and other related documents.
- 14. Default Solutions provides mortgage servicers with administrative support services in connection with foreclosure and bankruptcy proceedings. Default Solutions is another subsidiary of LPS. Prior to March 2010, Default Solutions also engaged in document execution and notarization practices, including execution and notarization of mortgage-related documents necessary for foreclosure or bankruptcy proceedings.
- 15. Currently, Default Solutions provides services for its bank or servicer-clients when a mortgage loan goes into default. These services include but are not limited to foreclosure and bankruptcy management services, services to independent attorneys and

trustees, property inspection and preservation services, and other asset management services supporting the foreclosure and bankruptcy processes.

- 16. In providing default services to its bank or servicer-clients, Default Solutions uses a technology platform called "Desktop" to provide work flow management support.
- 17. "Desktop" performs a variety of functions, but in part, is used by foreclosure attorneys and bankruptcy trustees to manage those respective processes.

DEFENDANTS' UNFAIR AND DECEPTIVE ACTS AND PRACTICES

- 18. Defendants' unfair and deceptive acts and practices contributed to and facilitated many faulty foreclosure and bankruptcy processes throughout the nation, and in North Carolina, occurring primarily during the height of the foreclosure crisis from 2007 to 2010.
- 19. Concerning document execution practices, Defendants employed a high-speed, rote assembly-line process wherein employees in numerous instances inappropriately signed and notarized documents.
- 20. Some of those documents contained defects including, but not limited to, unauthorized signatures, improper notarizations, or attestations of facts not personally known to or verified by the affiant.
- 21. Some of those documents contained unauthorized signatures or inaccurate information relating to the identity, location, or legal authority of the signatory, assignee, or beneficiary or to the effective date of the assignment.
- 22. Some of those defective documents were recorded in local land records offices or executed with the knowledge that the documents would be filed in state courts or used to comply with statutory, non-judicial foreclosure processes.

- 23. At some time prior to November 1, 2009, employees and agents of Defendant DocX, were directed by management of DocX to initiate and implement a program under which employees signed documents in the name of other DocX employees, without appropriate authority. DocX referred to these unauthorized signers as "Surrogate Signers."
- 24. The Surrogate Signers executed documents in the name of other DocX employees without indicating that the documents had been signed by a Surrogate Signer.
- 25. Notaries public employed by DocX or as agents of DocX completed the notarial statements on the Mortgage Loan Documents that were executed by Surrogate Signers and stated that those documents had been properly acknowledged, signed, and affirmed in their presence by the person whose name appeared on the document, when in fact the Surrogate Signer had signed the name of another person or signed outside the presence of the notary, or both.
- 26. Concerning Default Solutions, LPS' Desktop system inappropriately influenced attorney behavior, in part by inhibiting communication between the servicer and its attorney, and by incentivizing speed and volume over accuracy.

APPLICABLE STATUTES

27. Section 75-1.1 of the North Carolina Unfair and Deceptive Trade Practices

Act provides that "[u]nfair methods of competition in or affecting commerce, and unfair
or deceptive acts or practices in or affecting commerce, are declared unlawful."

VIOLATIONS OF LAW

COUNT I - UNFAIR AND DECEPTIVE TRADE PRACTICES ACT

- 28. The State realleges and incorporates each and every allegation contained in the preceding paragraphs 1 through 27.
- 29. Defendants, in the course of selling mortgage-related document execution and default services, have engaged in a course of commerce which constitutes unfair, deceptive, or misleading practices, and is therefore unlawful under N.C.G.S. §§ 75-1.1 et seq. of the North Carolina Unfair and Deceptive Trade Practices Act by:
 - a. Creating, signing, recording, or notarizing documents that contained false, deceptive, or misleading information, assertions, or averments, such as:
 - i. unauthorized signatures;
 - ii. improper notarizations;
 - iii. attestations of facts not personally known to or verified by the affiant; or
 - iv. inaccurate information relating to the identity, location, or legal authority of the signatory, assignee, or beneficiary, or to the effective date of the assignment.
 - b. Initiating and facilitating a system by which an attorney or law firm and their client could not appropriately communicate; and
 - c. Initiating and facilitating a system by which attorney speed and volume was favored over accuracy.

PRAYER FOR RELIEF

WHEREFORE, the State of North Carolina respectfully requests that this honorable Court enter an order:

- A. Issuing a permanent injunction prohibiting Defendants, its agents, employees, and all other persons and entities, corporate or otherwise, in active concert or participation with any of them, from engaging in unfair, deceptive or misleading conduct;
- B. Ordering Defendants to disgorge all revenues, profits, and gains achieved in whole or in part though the unfair acts or practices complained of herein;
- C. Ordering Defendants to pay civil penalties of \$5,000.00 for each and every violation of N.C.G.S. § 75-1.1 pursuant to N.C.G.S. § 75-15.2;
- D. Ordering Defendants to pay all costs for the prosecution and investigation of this action; and
- E. Granting such other and further relief as the Court deems equitable and proper.

Respectfully submitted this the 31 day of January, 2013.

ROY COOPER

Attorney General

Phillip K. Woods

Special Deputy Attorney General North Carolina Department of Justice Post Office Box 629

Raleigh, North Carolina 27602

(919) 716-6052

N.C. State Bar No. 18439

E-Mail: PWoods@ncdoj.gov