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1 COMP  
2 CATHERINE CORTEZ MASTO  
3 Attorney General  
4 ERNEST D. FIGUEROA  
5 Chief Deputy Attorney General  
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8 Carson City, Nevada 89701  
9 775-684-1197  
10 Attorneys for Plaintiff, State of Nevada

DISTRICT COURT  
CLARK COUNTY, NEVADA

9 STATE OF NEVADA  
10 Plaintiff,  
11 vs.

Case No.: A583442  
Dept. No.: XIII

12 COUNTRYWIDE FINANCIAL CORPORATION,  
13 a Delaware corporation;  
14 Defendant.

BUSINESS COURT REQUESTED  
ARBITRATION EXEMPTION  
Action in Equity

COMPLAINT

16  
17 Plaintiff, STATE OF NEVADA, by and through its attorneys, CATHERINE CORTEZ  
18 MASTO, Attorney General, and Ernest D. Figueroa, Chief Deputy Attorney General, upon  
19 information and belief, alleges:

I.

INTRODUCTION

22 Plaintiff, STATE OF NEVADA, brings this action in the public interest pursuant to the  
23 Nevada Deceptive Trade Practices Act, NRS 598.0903 et. seq. to protect consumers and  
24 competitors from unlawful, unfair and deceptive business practices. By this action, Plaintiff  
25 seeks to obtain restitution, injunctive relief, civil penalties, reasonable attorney's fees and such  
26 other and further relief as the Court deems necessary to prevent the deceptive acts and  
27 practices alleged in this complaint and to remedy the consequences of such practices.

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II.

**JURISDICTION AND VENUE**

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2  
3 1. Jurisdiction over the subject matter of this action which alleges violations of the  
4 Nevada Deceptive Trade Practices Act lies with this Court pursuant to Article 6, §6 of the  
5 Nevada constitution, and NRS 598.0963.

6 2. Venue of this suit lies in Clark County, State of Nevada because the violations of  
7 law alleged herein were committed throughout the State of Nevada and in the County of Clark.

8 **PARTIES**

9 1. Plaintiff is the State of Nevada, represented by Catherine Cortez Masto, the  
10 Attorney General, who is authorized to bring this action pursuant to NRS 598.0963.

11 2. Defendant Countrywide Financial Corporation, a Delaware corporation ("CFC")  
12 is a thrift holding company, and at all times mentioned herein engaged in the retail based  
13 origination and funding of real estate secured, owner occupied residential mortgage loans.

14 **VENUE**

15 3. Venue of this suit lies in Clark County, State of Nevada, for the following  
16 reasons:

17 a. Under Nevada Deceptive Trade Practices Act, NRS 598.0903 et. seq.,  
18 venue is proper because Defendant engaged in the origination and funding of real estate  
19 secured, owner-occupied, residential mortgage loans and have transacted business within the  
20 State of Nevada and County of Clark.

21 b. Under Nevada Deceptive Trade Practices Act, NRS 598.0903 et. seq.,  
22 venue is proper in Clark County, State of Nevada, because the violations of law alleged herein  
23 were committed throughout the State of Nevada and in the County of Clark.

24 **ACTS OF AGENTS**

25 4. Whenever reference is made in this complaint to any act or practice of  
26 Defendant, such allegation shall be deemed to mean that the principals, officers, directors,  
27 employees, agents and representatives of such Defendant did, or authorized, such act or  
28 practice on behalf of said Defendant, while actively engaged in the scope of their duties.

1 5. Whenever reference is made in this Petition to any act of Defendant, such  
2 allegation shall be deemed to mean the act of each Defendant acting individually and jointly.

3 **GENERAL ALLEGATIONS**

4 6. For a number of years, Defendant has been among the largest originators of  
5 home loan mortgages in the country. In recent years, Defendant increased their market share  
6 by engaging in unfair and deceptive business practices that placed thousands of borrowers in  
7 risky, high-priced, and ultimately unaffordable mortgage subprime loans. Defendant's  
8 practices have included placing borrowers in risky subprime loans for which they were  
9 unqualified according to underwriting standards, structuring unfair subprime loan products with  
10 risky features, offering illusory initial savings features such as "teaser" rates and low or no  
11 closing costs to induce borrowers to accept unaffordable subprime loans, engaging in  
12 misleading marketing and sales techniques, and offering financial incentives to employees  
13 and brokers to sell more and more non-traditional subprime loans with increasingly less  
14 adherence to underwriting guidelines. Defendant's business practices resulted in  
15 unaffordable mortgage subprime loans and increased delinquencies and foreclosures for  
16 Nevada homeowners.

17 7. Defendant routinely encouraged borrowers to accept high priced subprime loans  
18 that they could not afford with features that placed them at substantial risk of default.  
19 Defendant misled borrowers by enticing borrowers with low teaser rates, low monthly  
20 payments and "no closing cost" subprime loans that failed to make clear and conspicuous  
21 disclosures of the products' risks. To increase market share, Defendant dispensed with many  
22 standard underwriting guidelines and offered "low" documentation and "no-documentation"  
23 loans to place unqualified borrowers in subprime loans which ultimately they could not  
24 afford. Defendant encouraged borrowers to trust their guidance and then placed borrowers  
25 in subprime loans that contained layers of unduly risky features, such as low introductory  
26 "teaser" rate adjustable rate mortgages, and pay option ARMs. Defendant failed to inform  
27 borrowers fully of the risks of these products.

28

1           8. Defendant's 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. Defendant's practices also have caused a decrease in home  
 5 values and deterioration of neighborhoods throughout the country and including Nevada.

**COUNT I**

**DECEPTIVE TRADE PRACTICES  
 MATERIAL MISPRESENTATION  
 NRS 598.0915(15)**

6  
 7  
 8  
 9  
 10           9. Plaintiff adopts, incorporates herein and re-alleges paragraphs 1 through 12  
 11 inclusive, as if fully set forth below.

12           10. Pursuant to NRS 598.0915(15), it is a deceptive trade practice when a person, in  
 13 the course of his business or occupation, knowingly makes a false representation in a  
 14 transaction.

15           11. Defendant used misleading and deceptive promotions, marketing and sales  
 16 techniques to induce primarily low and moderate-income homeowners to refinance their  
 17 mortgages and consolidate their debts using Defendant's loan products.

18           12. In the course of their dealings with borrowers and in furtherance of their own  
 19 direct pecuniary and business gains, Defendant made false misrepresentations or omissions  
 20 in violation of NRS 598.0915(15);

21           13. By engaging in the acts and practices described above, when it knew, or should  
 22 have known, that its conduct was unfair or deceptive, Defendant is in violation of the Nevada  
 23 Deceptive Trade Practices Act, NRS 598.0903 et. seq.

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**PRAYER FOR RELIEF**

**WHEREFORE,** Plaintiff respectfully requests that this Court:

A. Permanently enjoin Defendant from engaging in the deceptive, misleading and unlawful practices as defined under the Nevada Deceptive Trade Practices Act, NRS 598.0903 et. seq.

B. Order Defendant, pursuant to NRS 598.0999(2) to pay a civil penalty of \$5,000 for each violation of the Nevada Deceptive Trade Practices Act alleged in the First cause of action.

C. Award Plaintiff reasonable attorney's fees and costs pursuant to NRS 598.0999(2).

D. Award such other equitable relief as this Court deems just and proper.

DATED this 30<sup>th</sup> day of January, 2009.

SUBMITTED BY:

CATHERINE CORTEZ MASTO  
Attorney General

By: *Ernest D. Figueroa*

ERNEST D. FIGUEROA  
Chief Deputy Attorney General  
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**AFFIRMATION**

**Pursuant to NRS 239B.030**

The undersigned does hereby affirm that the preceding **COMPLAINT** filed in District Court does not contain the social security number of any person.

DATED this 30<sup>th</sup> day of January, 2009.

SUBMITTED BY:

CATHERINE CORTEZ MASTO  
Attorney General

By: *Ernest D. Figueroa*

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