



Miami Judge Sanctions Law Firm, Treasury Secretary Mnuchin's Former Bank for 'Frivolous' Foreclosure

Florida Business Review (Online)

This article also appears in the following ALM publications: Law.com

January 25, 2018 Thursday

Miami-Dade Circuit Judge Pedro P. Echarte Jr. sanctioned Treasury Secretary Steven Mnuchin's former bank, California-based OneWest Bank, and its law firm for filing a frivolous foreclosure against a widow.

The [judge granted sanctions against the bank](#) and its attorneys at Tampa-based Albertelli Law, which serves the financial services and mortgage banking industries from offices in Florida, Georgia, Alabama, Arkansas, North Carolina, Tennessee, Texas, South Carolina and the U.S. Virgin Islands. He found the law firm and its client bank prosecuted a frivolous foreclosure and will set a subsequent hearing to determine the penalty.

"I believe the court should impose sanctions sufficient to deter a company like OneWest Bank with \$65 billion in assets and vindicate the integrity of the judiciary," said homeowner attorney Bruce Jacobs of Jacobs Keeley in Miami. "They came after my client a month after her husband died and relentlessly pursued this foreclosure."

Echarte's ruling is the latest blow for the bank, which the California state attorney general's consumer law section has accused of rampant foreclosure violations.

OneWest Bank is a division of CIT Bank N.A. Its co-founder is Mnuchin, who served as CEO from 2009 to 2015 when it was sold to CIT Group Inc. as the [first bank merger for more \\$50 billion](#) following the financial crisis. Before the merger, the bank allegedly engaged in "[widespread misconduct](#)," violating notice and waiting period statutes, illegally backdating document, and rushing to foreclose on delinquent homeowners, according to reports by the investigative news site The Intercept.

In 2011, the Treasury Department, which Mnuchin now leads, entered a [consent order](#) against his bank for "unsafe or unsound" mortgage lending and foreclosure practices.

REVERSE MORTGAGE

Echarte found the bank wrongly sought to foreclose on a reverse mortgage to Miami homeowner Gloria Leek-Tannenbaum.

Reverse mortgages are federally insured loans that allow qualified homeowners 62 and older to borrow against the equity in their property. Instead of making payments to lenders, homeowners receive loan proceeds. The loans deplete the equity and accumulate interest but don't become due until borrowers move out, die, sell the property, or fail to pay property taxes and insurance.

OneWest Bank [filed suit](#) against Leek-Tannenbaum in March 2014, alleging she owed the full debt of nearly \$490,000. Leek-Tannenbaum's husband, Eugene Tannenbaum, died about six months earlier, and the bank argued the loan met the criteria for full repayment.

Arguing for the plaintiff at a bench trial in November, Albertelli Law attorney Margarita Trapaga said Leek-Tannenbaum signed the mortgage but not the note, and the sole borrower was dead. She claimed the widow also executed a nonborrower spouse ownership certification, acknowledging the bank had a right to foreclose if Tannenbaum died.



In contrast, Leek-Tannenbaum's attorney painted a picture of a lender that once promised to halt the foreclosure but later reneged on that commitment.

"They beat a motion for summary judgment by telling the prior judge they would dismiss the case in 2016, asking only for proof she (Leek-Tannenbaum) lived in the property," Jacobs wrote in a statement. "When they pressed forward anyway, I filed the [§57.105 motion](#) for sanctions."

Florida law allows sanctions for attorneys who raise unsupported claims or defenses. Court documents show Jacobs wrote former Albertelli attorney Robert Bowen, informing him of the motion for sanctions and a 21-day statutory window to withdraw "unsupported" claims.

Bowen, Trapaga, Albertelli Law principals and OneWest Bank officials did not respond to requests for comment by deadline.

Court records point to hard-fought litigation with 152 docket entries, a bench trial and more than a dozen hearings and five-minute motion calendar sessions.

And Jacobs said the case is not yet over.

"Last we were told, they intended to pursue an appeal," he said.