

State of California • Department of Justice
OFFICE OF THE ATTORNEY GENERAL
Edmund G. Brown Jr.

News Release

June 01, 2009

FOR IMMEDIATE RELEASE

Contact: (916) 324-5500

Brown Directs Foreclosure Consultants to Register with his Office and Post \$100,000 Bond

Oakland -- Continuing his fight against scam artists who "prey on" vulnerable Californians, Attorney General Edmund G. Brown Jr. today issued a directive forcing foreclosure consultants to register with his office and post a \$100,000 bond by July 1, 2009.

Those who fail to do so will be in violation of state law, subject to criminal penalties of up to a year in jail and fines ranging from \$1,000 to \$25,000 per violation.

"California is awash with con artists who prey on vulnerable families facing foreclosure," Brown said. "By forcing foreclosure consultants to submit detailed information to my office and post a \$100,000 bond, this registry will help bring long-overdue transparency to this shadowy world."

Up and down the state, scam artists pose as legitimate foreclosure consultants, promising homeowners they will prevent foreclosure. In reality, these scam artists charge huge up-front costs, but don't provide an ounce of help.

Earlier this month, Brown's office prosecuted a scam artist who provided hundreds of homeowners with forged bank documents and directed them to send their mortgage payments to accounts she had created, instead of the homeowners' lender.

Additionally, Brown's office has seen a significant increase in the number of complaints from homeowners regarding foreclosure consultants.

The registry unveiled today will provide Californians with information about potential consultants and recourse in the event that a consultant violates the law.

All foreclosure consultants operating in California must post a \$100,000 bond and register with Brown's office by July 1, 2009 and submit the following information:

- Name, address, and telephone number;
- All names, addresses, telephone numbers, websites, and e-mail addresses used or proposed to be used in connection with their business;
- Copies of all advertising;
- Copies of each different contract the consultant will use with consumers; and
- A copy of its \$100,000 bond.

Foreclosure consultants who provide proper information will receive a Certificate of Registration. Brown's office, however, may refuse to issue, or revoke, a Certificate of Registration if the foreclosure consultant has made any misstatement in its registration form, has been convicted of fraud or misrepresentation, has been convicted of a violation of the state's foreclosure consultant laws, California's false advertising, unfair or deceptive practices laws or other laws dealing with mortgages.

If the company violates the law, a court may order restitution to victims out of proceeds from the \$100,000 bond.

In order to obtain a Certificate of Registration by July 1, 2009, foreclosure consultants should send in their registration application and materials as soon as possible so they can be reviewed prior to July 1.

The registry was established through legislation sponsored by Speaker of the Assembly Karen Bass, AB 180, which was signed into law last year.

A copy of the registration forms may be found at <http://ag.ca.gov/register.php> under the "Foreclosure Consultant Registry."

After July 1, 2009, consumers can call the Attorney General's office to determine whether the company they are considering dealing with has been issued a Certificate of Registration.

Tips for Homeowners

DON'T pay money to people who promise to work with your lender to modify your loan. It is unlawful for foreclosure consultants to collect money before (1) they give you a written contract describing the services they promise to provide and (2) they actually perform all the services described in the contract, such as negotiating new monthly payments or a new mortgage loan. However, an advance fee may be charged by an attorney, or by a real estate broker who has submitted the advance fee agreement to the Department of Real Estate, for review.

DO call your lender yourself. Your lender wants to hear from you, and will likely be much more willing to work directly with you than with a foreclosure consultant.

DON'T ignore letters from your lender. Consider contacting your lender yourself, many lenders are willing to work with homeowners who are behind on their payments.

DON'T transfer title or sell your house to a "foreclosure rescuer." Fraudulent foreclosure consultants often promise that if homeowners transfer title, they may stay in the home as renters and buy their home back later. The foreclosure consultants claim that transfer is necessary so that someone with a better credit rating can obtain a new loan to prevent foreclosure. BEWARE! This is a common scheme so-called "rescuers" use to evict homeowners and steal all or most of the home's equity.

DON'T pay your mortgage payments to someone other than your lender or loan servicer, even if he or she promises to pass the payment on. Fraudulent foreclosure consultants often keep the money for themselves.

DON'T sign any documents without reading them first. Many homeowners think that they are signing documents for a new loan to pay off the mortgage they are behind on. Later, they discover that they actually transferred ownership to the "rescuer."

DO contact housing counselors approved by the U.S. Department of Housing and Urban Development (HUD), who may be able to help you for free. For a referral to a housing counselor near you, contact HUD at 1-800-569-4287 (TTY: 1-800-877-8339) or www.hud.gov.

Brown's Actions to Help Homeowners and Stop Loan Modification Fraud

Sued Countrywide For Predatory Lending And Secured \$8.6 Billion Settlement. In October 2008, Brown announced an \$8.68 billion settlement with Countrywide Home Loans, once the largest lender in the county, after the company deceived borrowers by misrepresenting loan terms, loan payment increases, and borrowers' ability to afford loans.

Obtained Guilty Plea From Woman Who Operated Sophisticated Loan Scam. In May 2009, Brown obtained a guilty plea from Anna Santos, 22, who used forged documents to convince more than 100 desperate homeowners to hand over an average of \$3,000 for non-existent loan modification services.

Shut Down "Foreclosure Freedom" And Announced Arrest Of Two Loan Modification Scam Artists. In March 2009, Brown shut down Foreclosure Freedom, a fraudulent loan modification company that continued to collect fees and mortgage payments from dozens of homeowners without ever providing loan modification services. The two scam

artists were charged with 24 counts of grand theft and 25 counts of foreclosure consultant statute violations.

Broke Up "First Gov" And Sent Five Members To Prison. In November 2008, Brown shut down First Gov, a company that demanded \$1,500 to \$5,000 in up-front fees to modify loans it never renegotiated. In March 2009, five members of the ring were sentenced to a total of 18 years in prison.

Ended "Federal Land Grant" Foreclosure Rescue Scam. In May 2008, Brown ended a scam in which hundreds of homeowners were convinced to pay \$10,000 to place their property in a land grant, a phony and worthless real estate document, and then convinced to sign over the deed to their home.

Shut Down Six Predatory Lending Companies. In March 2008, Brown shut down Lifetime Financial, Nations Mortgage, Greenleaf Lending, Virtual Escrow, Olympic Escrow and Direct Credit Solutions for promising homeowners unrealistically low mortgage payments and then switching them to loans that did not match the original agreement, many with hidden fees of up to \$20,000. The three scam artists who operated the scheme have been sentenced to three years in prison.

###