

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

## News Release

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FOR IMMEDIATE RELEASE

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### **Brown Orders Mortgage Foreclosure Consultants to Post \$100,000 Bond or Face Prosecution**

Los Angeles - Threatening possible criminal and civil prosecution, Attorney General Edmund G. Brown Jr. today ordered 386 mortgage foreclosure consultants to post \$100,000 bonds and register with his office.

He also ordered more than two dozen companies to justify suspicious loan modification claims made in "slick advertising," online and through the mail.

"Hoping to lower their mortgage payments, thousands of homeowners were instead duped by slick advertising and money-back guarantees," Brown said. "The time for accountability is at hand, and this rogue industry must clean itself up or face legal action," Brown added.

Brown also unveiled a new website (<http://ag.ca.gov/loanmod>) that provides homeowners tips to avoid loan modification fraud, allows them to determine if a company is registered with his office and makes it easier to file complaints.

Brown today joined with the California Department of Real Estate and the State Bar of California in a new partnership to combat loan modification and foreclosure fraud.

Brown has sent letters directing 386 mortgage foreclosure consultants to register with his office within 10 days and post \$100,000 bond, or demonstrate why they are not required to. If the consultants are required to register and have failed to do so, they are subject to criminal penalties of up to a year in jail and fines ranging from \$1,000 to \$25,000 per violation. Eighty-five of these consultants are based in Los Angeles County, 133 in Orange County, 47 in the Inland Empire, 68 in San Diego County and seven in the Bay Area.

Additionally, Brown sent letters today demanding that 27 loan consultants substantiate suspect claims made on the internet and in direct mail advertising. For instance:

· Brown directed Irsfeld, Irsfeld & Younger, LLP of Glendale, Calif. to substantiate its claims including: "Our team has 10 years of success in negotiating 90% of all mortgage loan modification requests to a successful outcome....For the modification requests we accept, our modification failure rate is less than 1%."

· Brown directed 21st Century Real Estate Investment Corporation of Rancho Cucamonga to substantiate its written solicitations including: "[y]our proposed loan modification is a 30 year fixed/3.5% interest rate with a monthly payment of \$495. Your monthly savings is \$705. Total savings over a 30-year period is \$253,800. . . . Your first payment will be negotiated to begin March 2009 - payable to your current lender for \$495."

· Brown directed Mortgage Modification Solutions of Irvine to substantiate its claims including: "Our services are due to the FEDERAL MANDATE which makes it mandatory for mortgagees, upon the default of a single family mortgage, to engage in loss mitigation actions" and "Why \$3995.00 is nothing compared to what you can accomplish in return? #1- It's 10 times more expensive to hire a CPA or a Financial Advisor to exclusively analyze & Research your financial affairs to create a plan acceptable to the Banking standards."

· Brown directed Alliance Law Center of San Diego to substantiate its letters to consumers stating: "Final Notice: 3/11/09, our review of certain information indicates you may be a victim of federal disclosure violations and/or predatory lending violations, therefore your loan may be invalid, and you may qualify for a loan modification saving you thousands of dollars."

The State Bar of California today announced that it has obtained resignations from two lawyers and filed charges against a third for their loan modification activities. The State Bar's special team on loan modification complaints continues to investigate more than four hundred active complaints from consumers about lawyers' roles in loan modification scams.

Brown has made it a top priority to combat loan modification fraud. As part of a nationwide sweep last month, Brown filed suits against 21 individuals and 14 companies who ripped off thousands of homeowners seeking mortgage relief. In total, Brown has sought court orders to shut down 32 companies and has brought criminal charges and obtained lengthy prison sentences for deceptive loan modification consultants.

Copies of the letters and a list of consultants who have not registered are attached.

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