

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 Sues Foreclosure Consultant and Attorney Who Conned Homeowners into Paying Thousands for Phony Lawsuits

Los Angeles - Attorney General Edmund G. Brown Jr. today sued a foreclosure consultant and an attorney -- Paul Noe Jr. and Mitchell Roth - who conned 2,000 desperate homeowners into paying exorbitant fees for "phony lawsuits" to forestall foreclosure proceedings.

These lawsuits were filed and abandoned, even though homeowners were charged \$1,800 in upfront fees, at least \$1,200 per month and contingency fees of up to 80 percent of their home's value.

"Noe and Roth ripped off homeowners desperate for help by charging unconscionable fees for phony lawsuits," Brown said. "Instead of aggressively pursuing the lawsuits, Noe and Roth strung them along so they could continue to rake in fees."

Beginning in mid-2008, Noe promised homeowners facing foreclosure or default he could help them lower or eliminate their mortgage debt.

He convinced more than 2,000 homeowners to sign "joint venture" agreements with his company, United First, and hire Roth to file suits claiming that the borrower's loan was invalid because the mortgages had been sold so many times on Wall Street that the lender could not demonstrate who owned it. Similar suits in other states have never resulted in the elimination of the borrower's mortgage debt.

After filing the lawsuits, Roth did virtually nothing to advance the cases. He often failed to make required court filings, respond to legal motions, comply with court deadlines, or appear at court hearings. Instead, Roth's firm simply tried to extend the lawsuits as long as possible in order to collect additional monthly fees.

Under the terms of the agreement, United First charged homeowners approximately \$1,800 in upfront fees, plus at least \$1,200 per month. If the case was settled, homeowners were required to pay 50 percent of the cash value of the settlement. For example, if United First won a \$100,000 reduction of the mortgage debt, the homeowner would have to pay United First a fee of \$50,000. If United First completely eliminated the homeowner's debt, the homeowner would be required to pay the company 80 percent of the value of the home.

Brown's lawsuit contends that Noe, Roth and United First:

- Violated California's credit counseling and foreclosure consultant laws, Civil Code sections 1789 and 2945;
- Inserted unconscionable terms in contracts;
- Engaged in improper running and capping, meaning that Roth improperly partnered with United First, Inc. and Noe, who were not lawyers, to generate business for his law firm violating California Business and Professions Code 6150; and
- Violated 17500 of the California Business and Professions Code.

Brown's office is seeking \$2 million in civil penalties, full restitution for victims, and a permanent injunction to keep the company and the defendants from offering foreclosure consultant services.

Paul Noe Jr. was convicted of wire fraud in 1989 and the subject of a California Department of Insurance Cease and Desist Order in 2004. Mitchell Roth resigned for the California State Bar in late May 2009, after the State Bar closed his law firm.

VICTIMS

P.J. -- After receiving default notices and conducting unsuccessful negotiations with his lender, P.J. of Panorama City contacted United First and was promised his home could be saved. In November 2008, P.J. signed a contract with United First and hired Roth's law firm, paying nearly \$5,000 in upfront and monthly fees. Even as P.J. was paying United First, Roth did nothing to advance his case, and his lender foreclosed on his home earlier this year.

A.S. -- In June 2008, A.S. from La Mesa, Calif. received notices that his mortgage payments were going to increase from \$3,700 to over \$5,000 per month. A.S. was referred to United First by a member of his church. Representatives of the company assured him that his mortgage debt could be eliminated. A.S. paid over \$10,000 to retain Roth's firm. Shortly after signing a contract, A.S. received foreclosure notices from his lender. He called United First about the notices but was told not to worry and that his case was moving along. In January 2009, A.S. received a notice to come to United First's office to pick up his file. Roth had abandoned his cases, and the State Bar had shut down the firm.

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.

A copy of the complaint is attached.

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