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Lawyers' Committee Files Suit and Obtains Temporary Restraining Order Against Scammers

FOR IMMEDIATE RELEASE: OCTOBER 10, 2012

Lawyers' Committee Files Lawsuit and Obtains Temporary Restraining Order Against Loan Scam Operation Targeting Homeowners Nationwide

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San Diego, CA - The Lawyers' Committee for Civil Rights Under Law (Lawyers' Committee) has filed a lawsuit in Riverside County, California against a network of for-profit loan modification companies on behalf of 16 homeowners from California and five other states. The suit alleges that defendants defrauded vulnerable homeowners out of tens of thousands of dollars by falsely promising to obtain—for substantial upfront and monthly membership fees—much-needed mortgage modifications on the homeowners' behalf, but consistently failing to deliver results. Plaintiffs also sought and obtained a temporary restraining order against the defendants enjoining their illegal operations. Attorneys in the San Diego office of Latham & Watkins LLP are providing pro bono counsel on the case.

In exchange for sizable advance fees of up to \$3,700 collected in violation of California law and also, in addition, monthly membership fees required from a number of homeowners, defendants promised to work directly with plaintiffs' lenders to renegotiate their home loans and to secure lower monthly payments and interest rates, and, in some instances, avoid impending foreclosure. Defendants lured plaintiffs by touting their specialized experience in the industry, claiming success rates of 90% or higher and promising a refund of all or most of the fees paid if defendants did not obtain a loan modification for plaintiffs. Ultimately, defendants performed little to no work on plaintiffs' loan modification applications, in some cases failing to make any contact with their lenders and in all cases failing to fulfill the promises they made to Plaintiffs. After working with defendants for months, not a single plaintiff received a refund, despite defendants' oral and written refund guarantees. Many plaintiffs currently face a significant risk of foreclosure or have already lost their homes.

"This type of scam activity continues to have a severe impact on financially distressed homeowners who are desperately trying to save their homes," said Linda Mullenbach, senior counsel for the Fair Housing and Fair Lending Project of the Lawyers' Committee. "These homeowners, who are seeking solutions, are instead being defrauded out of thousands of dollars in illegal fees, face late fees and experience damage to credit scores and are at an increased risk of foreclosure as a direct result of the scammers who claim to have specialized expertise and high success rates in obtaining loan modifications for homeowners."

The complaint alleges that the loan modification scam in this case is operated by multiple corporate and individual defendants, managed by principals Michael Wayman and Don Brokaw. The corporate defendants named are Certified Financial Protection Group, LLC, Financial Hope for America, Inc., Safehouse 911, LLC, d/b/a Safehouse Professional Mortgage Restructuring 911, and U.S. Financial Advantage, all of which are California companies. The case, Cox et al. v. Certified Financial Protection Group et al., (No. RIC-1214494) was filed in California Superior Court in Riverside County and seeks monetary damages, including those related to the illegal upfront and monthly membership fees paid by plaintiffs, and injunctive relief to put a halt to the deceptive practices of the named defendants. [Click Here to View Complaint]

Plaintiffs additionally sought a Temporary Restraining Order (TRO) against defendants, which Judge Daniel Ottolia of the Riverside County Superior Court granted on October 9. The Order enjoins Wayman, Brokaw, and their corporate entities from the loan modification activities that operated to scam a multitude of homeowners, including plaintiffs, and will protect future victims from defendants' fraudulent scheme. [Click here to View TRO] The TRO will remain in effect until the Preliminary Injunction Hearing, which is set for November 29, 2012, where the court will then rule on the issuance of a Preliminary Injunction.

Cox v. Certified Financial Protection Group is the Lawyers' Committee's ninth loan modification scam lawsuit and second in California. As part of the Lawyers' Committee's work with the Loan Modification Scam Prevention Network (LMSPN), this litigation effort has sought to put an end to the fraudulent and deceptive behavior of so-called loan modification "specialists" in California, Florida, Georgia and New York. LMSPN is a broad coalition that also includes representatives from key governmental agencies, such as the Federal Trade Commission, the U.S. Department of Housing and Urban Development (HUD), the U.S. Department of Justice, the U.S. Department of the Treasury, the Federal Bureau of Investigation, and the offices of numerous state Attorneys General.

Since the launch of the national LMSPN database in February 2010 through October 9, 2012, more than 26,400 homeowners nationwide have reported loan modification scams or potential scams that have resulted in losses totaling nearly \$63 million. Approximately 5,400 of these reports have been submitted by California homeowners, who have reported losses of over \$19 million in fees paid to alleged loan modification scammers.

Homeowners who believe they have been victims of a scam are encouraged to call 888-995-HOPE (4673) or visit www.preventloanscams.org and click the "Report a Scam!" link.

Read more about our loan modification scam litigation here:

http://www.lawyerscommittee.org/projects/fair_housing/page?id=0107

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The Lawyers' Committee for Civil Rights Under Law (LCCRUL), a nonpartisan, nonprofit organization, was formed in 1963 at the request of President John F. Kennedy to involve the private bar in providing legal services to address racial discrimination. We are celebrating our 50th anniversary in 2013 as we continue our quest of "Moving America Toward Justice." The principal mission of the Lawyers' Committee is to secure, through the rule of law, equal justice under law, particularly in the areas of fair housing and fair lending; community development; employment; voting; education and environmental justice. For more information about the LCCRUL, visit www.lawyerscommittee.org.

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