Federal Trade Commission
Protecting America's Consumers

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At FTC's Request, Court Shuts Down Deceptive Mortgage and Debt Relief Operation

One Firm Charged $1,495 for Loan Modification Program, but Provided No Services

At the Federal Trade Commission's request, a U.S. district court has shut down two related operations as a result of settlements with defendants who allegedly failed to provide promised debt relief services and jeopardized their clients' privacy by tossing their personal information into unsecured dumpsters. In addition, one of the operations allegedly charged consumers a $1,495 up-front fee based on phony promises that they would get mortgage relief assistance.

The settlements with Residential Relief Foundation, LLC; Silver Lining Services, LLC; Mitigation America, LLC; and their principal owners are part of the FTC's ongoing crackdown on scams that target consumers in financial distress. The settlements ban the defendants from working in the mortgage assistance and debt relief business, prohibit them from the alleged privacy violations, and impose judgments totaling more than $11 million – the amount of consumer harm they caused.

In its November 2010 complaint, the FTC alleged the defendants behind Residential Relief Foundation violated federal law by falsely claiming their loan modification program could lead to the waiver of late mortgage payments, late fees, and legal fees; the conversion of adjustable mortgage rates to fixed rates as low as one percent; the reduction of consumers' principal balance; and up to 40 percent lower mortgage payments.

According to the FTC, the Residential Relief defendants used a logo similar to the Great Seal of the United States to market their products. Claiming quick results and a high success rate, the defendants charged a $1,495 up-front fee, advised consumers to stop making mortgage payments, and falsely claimed that reports they created would enable homeowners get the promised results.

The defendants engaged in their conduct amid the publicity surrounding the availability of free mortgage loan assistance and modification programs, including the Home Affordable Modification Program (HAMP) implemented by the federal government under the Troubled Asset Relief Program (TARP). HAMP encourages loan servicers and investors to modify mortgages to reduce the monthly payments of homeowners who are at risk of default. There is no fee to homeowners to apply for a modification under HAMP.

The Residential Relief defendants allegedly also improperly disposed of consumers' information in unsecured dumpsters in violation of their own privacy policies. Finally, the FTC charged that in marketing credit card debt relief services, the defendants falsely told people they could become debt-free in 12 to 36 months, could eliminate late fees and penalties, and could reduce their debts by up to 50 percent.

The first settlement bans Residential Relief Foundation, Silver Lining Services, and their owners, James Holderness, Bryan Melanson, Michael Valenti, and Jillian Melanson, from participating in both the mortgage assistance relief and debt relief industries. It imposes a judgment of more than $10.5 million, which is the total amount the defendants made through their deceptive conduct. This includes a joint judgment of $509,306 entered against the Mitigation America defendants, as discussed below. A court-appointed receiver will attempt to recover nearly $1 million that the corporate defendants still have from the scheme. The individual defendants will turn over their frozen assets, with the remainder of the judgment suspended due to their inability to pay.

The FTC also has settled related charges against Mitigation America, LLC and its principal, Dennis Strzegowski, who allegedly worked with Residential Relief Foundation as part of the scam by deceptively marketing debt relief services to consumers. They were charged with violating their privacy policy by discarding confidential consumer information into unsecured dumpsters. The settlement bans Mitigation America and Strzegowski from participating in the debt relief industry and includes a judgment of $509,306, the total amount they received from their fraudulent debt relief promotions. The court-appointed receiver will liquidate Mitigation America. Strzegowski is required to pay $5,000, with the rest suspended due to his inability to pay.

Both settlements also bar the defendants from making misrepresentations about any product or service, including claims about financial products or services, their government affiliation, and implementation of their data security measures. The orders also require the defendants to have competent and reliable evidence to back up key claims about their financial products or services and prohibit them from violating the FTC's Telemarketing Sales Rule. Also, in settlements, the total judgment amounts will become due if the defendants are found to have misrepresented their financial condition.

The FTC appreciates the investigative assistance provided in this case by the Special Inspector General for the Troubled Asset Relief Program (SIGTARP). SIGTARP investigates fraud, waste, and abuse related to HAMP and all other TARP-funded programs. Since this case was filed, the FTC has issued a rule prohibiting mortgage relief programs from charging up-front fees before providing their services.

Information for consumers on how to detect and avoid mortgage relief fraud can be found here.

The Commission vote approving the proposed settlement orders was 5-0. The first order was filed in the U.S. District Court for the District of

Maryland, and resolves the FTC's charges against Residential Relief Foundation, LLC; Silver Lining Services, LLC; James Holderness; Bryan Melanson; Michael Valenti; and Jilliam Melanson. The second order, also filed in the U.S. District Court for the District of Maryland, settles the FTC charges against defendants Mitigation America, LLC and Dennis Strzegowski. The court entered the orders on September 30, 2011.

NOTE: The consent orders are for settlement purposes only and do not constitute an admission by the defendants that the law has been violated. Consent orders have the force of law when approved and signed by the District Court judge.

The Federal Trade Commission works for consumers to prevent fraudulent, deceptive, and unfair business practices and to provide information to help spot, stop, and avoid them. To file a complaint in English or Spanish, visit the FTC's online Complaint Assistant or call 1-877-FTC-HELP (1-877-382-4357). The FTC enters complaints into Consumer Sentinel, a secure, online database available to more than 2,000 civil and criminal law enforcement agencies in the U.S. and abroad. The FTC's Web site provides free information on a variety of consumer topics. Like the FTC on Facebook and follow us on Twitter..

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Related Items:

Federal Trade Commission, Plaintiff, v. Residential Relief Foundation, Inc., Silver Lining Services, LLC, Mitigation America, LLC, James W. Holderness, Michael Valenti, Bryan J. Melanson, Jillian N. Melanson, and Dennis Strzegowski, Defendants
(United States District Court for the District of Maryland)
FTC File No. 1023234

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