



**For Immediate Release**

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## **MADIGAN, LAWMAKERS TAKE ON MORTGAGE FORECLOSURE "RESCUERS"**

Chicago – Calling mortgage rescue fraud “a cancer that is eating away at our neighborhoods,” Attorney General Lisa Madigan, lawmakers and community advocates today announced legislation to prevent two types of the fraud. Madigan also announced that her office is filing two lawsuits to help individual homeowners whose circumstances might have been prevented by the legislation.

Speaking at a news conference at the Temple of Glory International Church on Chicago’s South Side, Madigan, State Sen. Jacqueline Collins and State Rep. Marlow Colvin were joined by victims of mortgage “rescuers” who led them to believe they could save their homes when in fact the “rescue” companies were selling the homes to third parties, stripping out the substantial equity and leaving homeowners on the verge of eviction.

In an effort to help individual victims, Madigan said her office today is filing two lawsuits against companies that allegedly used unfair and deceptive practices to defraud consumers. She said that the legislation she, Collins and Colvin are proposing will help future victims from falling prey to these mortgage rescue scams.

“Mortgage rescue fraud is a cancer that is eating away at our neighborhoods,” Madigan said. “We are proposing this legislation to give people who want to save their homes a fighting chance. Without these protections, they are vulnerable to the greediest of predators that take their money and strip the equity in their homes like piranhas strip their victims.”

Madigan said the legislation she is proposing with Collins and Colvin can help ensure consumers do not pay money for non-existent services or see the hard-earned equity they have built disappear into thin air. Consumers in trouble on their mortgage payments should be referred to reputable housing experts.

“The people most adversely affected by mortgage rescue fraud are often those who need the most help,” said Collins, who was expected at the news conference. “It’s been shown that those in low-income neighborhoods are at the highest risk.”

“Mortgage rescue schemes are threatening the health of neighborhoods all across Chicago and the state,” said Colvin, who also was expected at the news

conference. "This legislation is critical to protecting unsuspecting homeowners and families."

Madigan said the Mortgage Rescue Fraud Prevention Act is narrowly tailored to target the two most common types of mortgage fraud rescue schemes. First, it targets "distressed property consultants" who offer phantom help to homeowners, usually promising to "buy them time" or "save the home" by negotiating with the homeowners' creditors. In exchange for upfront fees, the consultants do nothing and abandon the homeowner to a fate that might have been prevented with legitimate professional intervention.

Madigan targeted "distressed property consultants" through a lawsuit filed today in Sangamon County Circuit Court against HomeSavers USA, Inc., and its CEO, David Moakler. HomeSavers USA, Inc., is a North Carolina company that advertises mortgage foreclosure assistance to Illinois consumers on the Internet. In her complaint, Madigan alleges the defendants promised to negotiate with consumers' mortgage companies and guaranteed they would not lose their homes. HomeSaversUSA demanded that consumers pay a non-refundable service fee before the company would begin any work; Illinois consumers paid fees to the defendants ranging from \$350 to \$900. Madigan's complaint alleges the defendants failed to engage in the promised negotiations and did nothing more than consumers could easily do themselves.

Illinois consumers applied for assistance from defendants online at [www.homesaversusa.com](http://www.homesaversusa.com) or called a toll-free phone number. The defendants requested detailed information regarding consumers' income, expenses and debts. After the defendants accepted the consumers for service, they sent an agreement which consumers must sign and return along with the non-refundable service fee. At least one Illinois consumer understood the defendants would lower her monthly mortgage payments, when in fact HomeSavers USA "negotiated" with her lender by proposing a plan that raised her monthly payments substantially. Madigan's complaint alleges that the defendants provided nothing more than phantom help that left consumers in a worse financial position than when they started with the defendants.

While Madigan's lawsuit seeks to help alleged victims of HomeSaversUSA, the proposed legislation would put in place significant protections to prevent HomeSaversUSA and many other companies like it from scamming other consumers.

The legislation would prevent consultants from fleecing homeowners by requiring that: consultants must provide homeowners a written contract laying out all the services to be performed; the consultant contract must contain a right to cancel at any time before all services have been performed; and the consultant cannot receive any compensation until all services have been performed in full.

Secondly, the bill targets "distressed property purchasers." These con artists lead homeowners to sign over the deed to their property by telling them they can stay in their home and pay rent until they are back on their feet financially and can repurchase their home. Many homeowners who enter into these deals believe that they are getting help to catch up on their payments and do not realize they are selling their home to a third party. Most receive little financial benefit from the transaction. Commonly, the homeowners' rental payments end up higher than the mortgage payments. Using a variety of devices, the

“rescuer” ultimately strips the home of its equity and leaves the homeowner facing increasing financial distress, and eventually, eviction.

Madigan’s second lawsuit, filed today in Cook County Circuit Court, targets distressed property purchasers who have taken advantage of Illinois families. At the news conference, Madigan was joined by two of the alleged victims whose stories lead to the lawsuit and clearly illustrate the devastation caused by these schemes.

Tangie Chaffin, a single mother who works as a data entry clerk for the Chicago Police Department, began having problems in 2004 paying her monthly mortgage payments of \$650 when a court temporarily lowered her child support. In desperation, Chaffin turned to Advantage Mortgage Consulting, Inc., which told her that while it could not refinance her home, it could save her home by allowing her to rent her own home with the option to buy it back. With very little explanation, Chaffin signed incomplete and blank paperwork, including a Power of Attorney Form, Joint Venture Agreement, Warranty Deed and Articles of Agreement for Deed.

On December 14, 2004, a real estate closing occurred without Chaffin. By use of the Power of Attorney, her property was conveyed to two alleged “investors” for \$179,000. Platinum Investment Group, LLC, a company affiliated with Advantage, received \$47,535.02 from the transaction; Advantage received \$8,300 in “fees;” and First Chicago Real Estate Group, LLC, a Chicago real estate brokerage firm, received \$8,000. Although Chaffin had \$76,000 in equity, she received only \$7,092 and eventually lost her home.

The Balderas family, like Tangie Chaffin, also allegedly was victimized by Platinum, Advantage and First Chicago Real Estate Group. Since 1996, Martha Balderas, her husband, Alejandro Balderas, and their three children have lived in their home at 4550 W. 84 th Pl. In April 2005, the Balderas met with representatives of Advantage to discuss refinancing their home or obtaining a \$1,500 loan to bring their home out of foreclosure. Advantage told Martha and Alejandro Balderas that it was unable to assist them but referred them to its affiliated company, Platinum.

According to the allegations in Madigan’s lawsuit, on April 27, the Balderas met with an Advantage and Platinum employee David Chacon and Suellen Carpenter of First Chicago Real Estate Group, LLC. Chacon told the Balderas that because Platinum worked with investors, it could refinance their home for a period of one to two years, with the Balderas having the option of refinancing with Platinum at the end of that time. Chacon and Carpenter told the Balderas that they would sign a “land contract,” which guaranteed that they would not lose their home. Chacon and Carpenter also told the Balderas to sign blank and incomplete paperwork, which included Power of Attorney Forms, Joint Venture Agreement and Articles of Agreement for Deed.

According to the allegations in the lawsuit, on April 28, Martha Balderas called Chacon to cancel the deal. Chacon told her it was too late to cancel the transaction. Martha Balderas stated that she and her husband wanted to be present at the closing. Despite her request, the Balderas were not aware of and did not attend a real estate closing on May 17. By use of the Power of Attorney, the Balderas home was conveyed to an alleged investor for \$172,000. Platinum received \$38,322.21 from the transaction; Advantage received \$1,905; and First Chicago Real Estate Group, LLC, received \$9,820.

Platinum's attorney received \$1,500 in attorney's fees and \$701.25 in abstract or title search fees. Although the Balderas had \$77,000 in equity in their home, they received only \$9,880 and are now threatened with eviction.

Madigan has named several defendants in a lawsuit involving Chaffin and Balderas along with other alleged victims, including Platinum Investment Group, LLC, Advantage Mortgage Consulting, Inc., Christopher Bidigare, individually and as member of Platinum Investment Group, LLC., and General Manager of Advantage Mortgage Consulting, Inc., First Chicago Real Estate Group, LLC, Suellen Carpenter, individually as member of First Chicago Real Estate Group, LLC, and David Chacon, individually and as agent of Platinum and Advantage.

In the complaint, Madigan alleges that the defendants engaged in mortgage foreclosure rescue fraud. The homeowners in this lawsuit have lost a total of \$469,000.

To prevent distressed property purchasers from victimizing others, the legislation would provide numerous protections for homeowners by requiring that (1) distressed property purchasers must provide homeowners a written contract that lays out all the terms of the sale and makes it clear that the home is actually being sold; (2) the homeowner has the right to cancel the contract for five business days after it is executed by all parties; (3) prior to sale of the property, the purchaser must make a determination that the homeowner has the ability to make rental payments and buy the house back; (4) the purchaser must pay the homeowner at least 82 percent of the fair market value of the home at the time of the sale and may not include fees as part of the payment; (5) a homeowner who remains in the home under a rental agreement has the right to cancel the rental agreement at any time; (6) and the purchaser must record the purchase contract with the county recorder of deeds so that any subsequent purchaser is put on notice.

"These protections are critical," Madigan said. "Our goal is to keep scam artists out of peoples' lives and keep people in their homes."

At the news conference, Madigan also was expected to be joined by State Sen. Donne Trotter and State Rep. Connie Howard. Ald. Rev. Shirley Coleman and Ald. Latasha Thomas also were invited.

Additionally, Madigan was expected to be joined by William McNary of Citizen Action Illinois, Daniel Lindsey of the Lawyers Assistance Fund, as well as representatives of the Southwest Organizing Project, Voices for Illinois Children, the National Center on Poverty Law, AARP, ACORN and the South Austin Coalition.

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