



For Immediate Release

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MADIGAN SUES ANOTHER MORTGAGE FORECLOSURE "RESCUER"

Chicago – Fighting one of the newer schemes in mortgage fraud, Attorney General Lisa Madigan today filed her third lawsuit in as many months against a mortgage “rescue” company and its officers for misleading homeowners to believe they could save their homes when in fact the homeowners were selling their homes to “rescue” company employees who stripped out the substantial equity and left homeowners on the verge of eviction.

Madigan said this practice, known as equity stripping, is on the rise as more homeowners in Chicago and across the state fall victim to the practice. In general, mortgage “rescuers” arrive on the scene when homeowners fall behind on mortgage payments or are on the verge of losing their homes. The rescuers usually promise to buy the house for a year, collect rent from the homeowner and provide the homeowner with the option to buy back the house in a year after they have “improved” their credit. In fact, these mortgage fraud companies obtain title to the home, take out a new mortgage that exceeds what was owed on the old mortgage without the homeowner’s knowledge and pay the homeowners a paltry sum – much less than the equity they had in their homes. Homeowners have lost as much as \$35,000 to \$70,000 of equity in their homes to these mortgage fraud schemes.

The mortgage rescuers use tactics such as: telling consumers they will buy them time to help them catch up on their payments; telling consumers that they will help them obtain financing at the end of the lease period to help them repurchase their properties; inducing consumers to enter into lease agreements when the rescuers know the consumers will not be able to afford the monthly payments, which usually are much higher than the consumers’ old mortgage payments; inducing consumers to enter into options to repurchase their homes when the rescuers know the consumers will not be able to afford a new, higher mortgage; inducing consumers to transfer the titles to their homes, without the consumers’ full knowledge of the nature of the transaction; and instructing homeowners to sign blank and incomplete paperwork, which prevents them from fully understanding the terms of the transaction.

In this latest court action, Madigan late yesterday sued MarTav Services Corporation, an Illinois Corporation; Winter Lake, Limited, an Illinois Corporation; Erika Norton, individually and as President of MarTav Services Corporation and Winter Lake, Limited; Edward D. Johnson, individually and

as an agent for MarTav Services Corporation; and Felicia Johnson, individually and as an agent for MarTav Services Corporation.

“These companies prey on people who are just trying to save their homes,” Madigan said. “They are like vultures circling people who are down on their luck.”

In filing her lawsuit, Madigan noted that MarTav seeks out people who are behind on their mortgage payments or about to lose their homes. For example, MarTav’s ads contain statements such as: “Let MarTav Services Corporation help keep your homeownership dream alive,” and “We have every intention of helping you, we are not here to unlawfully take away your home privileges [sic].”

In the complaint against MarTav, Madigan detailed one the stories of homeowners who allegedly had been taken in by the company. Madigan said the story is a textbook example of how the mortgage rescuers defraud homeowners.

In one instance, a homeowner fell behind on her mortgage payments after she had to quit her job because she had open heart surgery. The holder of her mortgage filed a foreclosure action against her. After the foreclosure action was filed, the homeowner received a solicitation from MarTav. Edward Johnson and Erika Norton told the homeowner she could pay a monthly rent and at the end of one year she would get her home back. The homeowner did not know she would be selling her home.

The purported purchase price for the homeowner’s home was \$145,000. Defendant Felicia Johnson obtained a mortgage on the home for \$123,250. Part of the purchase money paid off the homeowner’s existing mortgage, which was approximately \$79,000, and MarTav paid the homeowner a mere \$1,000.

The defendants informed the homeowner that MarTav also paid for the homeowner’s insurance, paid off some money the homeowner owed a lawyer from her divorce, paid the water bill and took some money for fees. She was never informed how much money MarTav took for their fees.

The homeowner made monthly payments to MarTav. However, after she had resumed working, the Internal Revenue Service notified her that one of her paychecks was going to be taken for back taxes. She called Edward Johnson to tell him that she could not make her monthly payment because of the IRS action, but Edward Johnson told her to make her payment. The homeowner, believing she needed to refinance her home to get it back, asked Edward Johnson for a payoff letter. Johnson refused her request. The homeowner then quit making her monthly payments and attempted to negotiate a sales price for her home, but Edward Johnson would not sell it to her for the prior agreed price of \$123,250 and would not agree to a price that she could afford. Winter Lake filed a forcible entry and detainer action against the homeowner. Defendant Felicia Johnson sold the home to a third party for \$165,000. The homeowner was later evicted from her home. Had the homeowner gone through the foreclosure process, she would have at least received the substantial equity she had built up in her home.

Madigan’s lawsuit seeks a permanent injunction against the defendants, full restitution to homeowners, a civil penalty of \$50,000 for each violation of the

Consumer Fraud Act and a civil penalty of \$10,000 per Consumer Fraud Act violation committed against a person 65 or older.

In addition to filing individual suits, Madigan also has proposed legislation to prevent rescuers from victimizing others. This legislation, Senate Bill 2349, would provide numerous protections for homeowners by requiring that: (1) rescuers provide homeowners with 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) and the purchaser must pay the homeowner at least 82 percent of the fair market value of the home if the homeowner is unable to buy back the home.

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

The legislation is sponsored by State Sen. Jacqueline Collins in the Senate and State Rep. Marlow Colvin in the House.

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