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MADIGAN UTILIZES NEW LAW TO SUE MORTGAGE RESCUE COMPANY

Attorney General Seeks to Shut Down Business and Obtain Restitution for Distressed Homeowners

Chicago – Attorney General Lisa Madigan today filed a lawsuit against a Florida-based mortgage rescue company for allegedly violating Illinois' recently-enacted Mortgage Rescue Fraud Act, as well as the Consumer Fraud and Deceptive Business Practices Act.

The new act was initiated by Madigan in 2006 and became law in January 2007. It prohibits mortgage rescue companies from requiring payment from consumers prior to completing all the terms of a rescue contract. It also requires rescue businesses to fully disclose to a homeowner the exact terms and nature of the proposed rescue services and their rights to cancel the contract.

Madigan's suit alleges that Florida-based Mortgage Assistance Solutions, LLC, and its managing member Michael Thomas Stoller, of Beverly Hills, California, defrauded desperate Illinois homeowners who enrolled in its "Fresh Start" program by falsely promising to negotiate with the homeowners' lenders to reduce their mortgage payments or save their homes from foreclosure. The company requires an upfront enrollment fee but, in the end, provides homeowners with little or no help.

"The last thing financially-pinched consumers on the verge of losing their homes need are so-called 'rescue' firms that do little more than separate homeowners from their money," said Attorney General Madigan. "We worked hard to draft this new law to protect homeowners from unscrupulous businesses engaged in mortgage rescue fraud."

Madigan's complaint describes how the defendants, in some cases, solicit homeowners by taking advantage of their fear of losing their homes with postcards that read, "YOU WILL LOSE YOUR HOME IF YOU DON'T CALL NOW!!!!" When contacted by potential customers, Mortgage Assistance Solutions refuses to discuss the specific programs available until they receive a \$1,200 payment from the homeowners.

Allegedly, the defendants claim they can obtain a better deal from lenders than the homeowners can obtain on their own. Once homeowners make this payment and execute a "Fresh Start" mortgage service agreement, the company

generally fails to contact the homeowners' lenders to work out forbearance agreements in a timely fashion, leaving the homeowners in worse financial shape than before.

In addition to violating the Mortgage Rescue Fraud Act's provision that businesses cannot charge consumers before completing all of the terms of a rescue contract, the complaint alleges that the company is violating other provisions of the act by failing to provide homeowners with (1) full disclosure of the exact terms and nature of the proposed rescue services and (2) notice of their right to cancel the contract. The lawsuit also alleges that the defendants violate the Consumer Fraud and Deceptive Business Practices Act by misrepresenting that they can save homeowners' homes from foreclosure when, in fact, Mortgage Assistance Solutions generally fails to follow through and work out forbearance agreements with mortgage lenders.

The Attorney General is asking the court to order restitution for the defrauded homeowners and to order the defendants to stop all deceptive business practices. The suit also seeks a civil penalty of \$50,000 and additional penalties of \$50,000 for each violation found to have been committed with the intent to defraud.

With tens of thousands of Illinoisans poised to lose their homes in the collapse of the subprime mortgage industry, Attorney General Madigan has worked aggressively on several fronts to protect consumers from the devastating results caused by predatory lending and other forms of mortgage fraud. Madigan's office has sued seven mortgage rescue companies to stop deceptive practices and successfully participated in three multi-state settlements against major subprime lenders Household Finance, Ameriquest and First Alliance Mortgage Company. To date, she has obtained more than \$600 million in enforcement actions against these lenders.

Madigan played a principal role in working to pass the High Risk Home Loan Act of 2003 and drafting the Mortgage Rescue Fraud Act of 2006. Earlier this year, she announced a comprehensive strategy to address the looming home foreclosure crisis in Illinois. As part of this strategy, the Attorney General initiated new legislation, Senate Bill 1167, to enhance homeowners' foreclosure rights and tighten controls on brokers and lenders. Earlier this summer, the general Assembly passed SB 1167, and it is currently awaiting action by the Governor. Also, in July, Madigan's office hosted a statewide home ownership preservation summit bringing together more than 100 participants from the mortgage lending industry, consumer advocacy groups, and government agencies to identify problems and look for solutions to mortgage foreclosures.

Madigan urged Illinois homeowners who are unable to make their mortgage payments to contact their lenders as soon as possible to work out a plan to avoid foreclosure. With the rise in foreclosures nationwide, many lenders have set up special units to assist borrowers in trouble. Madigan warned that the longer consumers delay, the greater the chance of losing their homes to foreclosure.

In addition, Madigan's office has compiled the guide, "Predatory Home Loans: A Guide to Prevention and Rescue Resources." With editions tailored for the Chicago area and Downstate Illinois, the guide lists many of the HUD-approved counseling agencies in the state. Homeowners can obtain a copy of

these free guides by visiting the Attorney General's Web site at www.illinoisattorneygeneral.gov or by calling the Consumer Fraud Hotline at 1-800-386-5438 (TTY 1-800-964-3013). Using the information in this guide, homeowners should seek out one-on-one assistance to help them save their homes.

Westside Regional Office Director and Assistant Attorney General Kimberly Slider and Assistant Attorney General Veronica Spicer are handling the case for Madigan's Consumer Fraud Bureau.

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