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MADIGAN SUES PENNSYLVANIA COMPANY FOR MORTGAGE RESCUE FRAUD

Company Preys On Illinois Homeowners Facing Foreclosure

Chicago — Illinois Attorney General Lisa Madigan today continued her aggressive legal fight against mortgage fraud by filing a lawsuit against a St. Marys, Pa., company, which has been operating a mortgage rescue fraud scheme and preying on vulnerable Illinois homeowners on the verge of foreclosure.

Madigan filed suit in Sangamon County Circuit Court against Aeroworks, LLC, doing business as Augustus Rae and Reed, and its president, John F. Reed. The suit alleges that the defendants violated the Mortgage Rescue Fraud Act and the Consumer Fraud and Deceptive Business Practices Act by falsely promising to help consumers save their homes after they have fallen behind on their mortgage payments. According to the complaint, the defendants charge consumers up to \$1,185 in upfront fees for homeownership counseling and mortgage rescue services but rarely produce successful results. They also fail to give consumers the right to cancel at any time. The complaint alleges that the defendants accepted money from at least 215 consumers throughout Illinois during 2006 and 2007.

Madigan drafted the Mortgage Rescue Fraud Act in 2006 and it took effect 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. "While consumers are doing all that they can to save their homes from foreclosure, it is unconscionable that con artists would prey on their vulnerabilities with these so-called 'rescue' schemes," Madigan said. "These practices are not welcome in Illinois, and I will continue to take aggressive action to shut down these illegal schemes."

Madigan's lawsuit alleges that since 2006 the defendants have mailed approximately 1,000 solicitations a week to Illinois homeowners facing foreclosure, offering "proven and affordable assistance" and will help homeowners "avoid dishonest scams." The solicitation claims the defendants have helped more than 5,000 homeowners avoid foreclosure and bankruptcy with a 95.5 percent success rate.

When consumers responded by calling the toll-free number provided on the solicitation, the defendants allegedly asked consumers for financial records and for the upfront payment. Defendants promised consumers that, upon receipt of the upfront fee, they would negotiate with the lender to reduce mortgage payments and prevent foreclosure. Consumers received a contract from the defendants that indicated cancellation and refunds were only available within three days of payment, which violates the Mortgage Rescue Fraud Act. The complaint alleges that in most instances the defendants have failed to negotiate solutions that prevented foreclosure. When consumers have asked for refunds, the defendants allegedly have refused.

Madigan's suit asks the court to prohibit the defendants from engaging in mortgage rescue practices. The suit also seeks a civil penalty of \$50,000, additional penalties of \$50,000 for every violation found to have been committed with the intent to defraud, and a \$10,000 penalty for each violation committed against a person 65 years or older. Further, the suit asks the court to rescind the contracts signed as a result of these deceptive practices and offer full restitution to affected consumers. Finally, Madigan's suit asks the court to order the defendants to pay all costs associated with the investigation and prosecution of the lawsuit.

The lawsuit is part of Madigan's ongoing work to curtail the foreclosure crisis and help Illinois families stay in their homes. Madigan has sued mortgage giant Countrywide Home Loans, Inc., for deceptive and fraudulent loan origination practices. Madigan also has sued 15 mortgage rescue companies to stop deceptive practices; and has successfully participated in three multi-state settlements

against major subprime lenders: Household Finance, Ameriquest and First Alliance Mortgage Company. To date, Madigan's office has obtained nearly \$900 million in enforcement actions against these three lenders.

Last year, Madigan announced a comprehensive strategy to address the looming home foreclosure crisis in Illinois. As part of this effort, Madigan's office hosted a statewide home ownership preservation summit in July 2007, 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.

On the legislative front, Madigan worked to pass the High Risk Home Loan Act of 2003, and drafted the Mortgage Rescue Fraud Act of 2006. The Attorney General also initiated and drafted the Illinois Homeownership Protection Act, a new law that tightens controls on brokers and lenders to prevent consumers from being unwittingly locked into questionable loan terms.

Madigan urged Illinois homeowners who are facing foreclosure to immediately contact their mortgage company or a HUD-certified housing counselor for assistance. To get a referral to a certified housing counselor or to learn more about the steps to take to avoid foreclosure, homeowners can call Madigan's **Homeowners' Referral Helpline** at 1-866-544-7151 from 8 a.m. to 5 p.m. Monday through Friday.

Homeowners also can visit Attorney General Madigan's Web site at www.IllinoisAttorneyGeneral.gov, to access the **Illinois Mortgage Lending Guide**, a resource manual containing step-by-step instructions for those struggling to make their loan payments and a list of HUD-certified counseling agencies that offer default counseling services. Homeowners who do not have easy access to the Internet should call the Attorney General's Referral Helpline to request a copy of the guide by mail.

Assistant Attorney General Rebecca Pruitt is handling the case for Madigan's Consumer Fraud Bureau.

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