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**MADIGAN CONTINUES PURSUIT OF MORTGAGE RESCUE FRAUD*****Illinois Attorney General Files Four New Lawsuits, Joins Federal Trade Commission, U.S. Department of Justice in Move to Protect At-Risk Homeowners Nationwide***

Chicago — Attorney General Lisa Madigan today announced four lawsuits against mortgage rescue fraud schemes. Madigan's suits are part of a national crackdown on rescue and loan modification fraud with the Federal Trade Commission (FTC), the U.S. Department of Justice, state attorneys general and local district attorneys, all of whom collectively filed 184 law enforcement actions throughout the country. On behalf of Illinois and over 30 other states, Madigan also submitted comments on the FTC's advance notice of proposed rule-making today urging aggressive, nationwide regulation of mortgage rescue companies.

"As part of the mortgage foreclosure crisis, we are seeing many fraudulent schemes in which companies promise that they will help desperate homeowners to modify their loans or rescue their homes from foreclosure," Madigan said. "These promises are false. All the con artists do is take money from homeowners and run, leaving them in a more desperate situation."

In her comment letter to the FTC, Madigan urges the federal agency to take aggressive action to protect consumers from companies and individuals who offer - but often fail to deliver - help with modifying mortgages. Noting the significant consumer protections found in Illinois' mortgage rescue fraud law, Madigan recommends that the FTC adopt similar protections for consumers across the nation.

Madigan filed complaints today in Cook County Circuit Court against the following defendants:

- Capital Foreclosure Solutions of Chicago, Ill., the company's president, Katen (Keith) Pabley, SGM Mortgage, Inc., of Lyons, Ill., the company's president, Scott Kotalik, United Home Solutions, Inc. of Happy Valley, Ore., and The Mack Financial Group, Inc., a corporation based in Henderson, Nev.;
- Midwest Foreclosure Solutions of , Norridge, Ill., the president of the company, Judel James Robert, and Maria C. Scardicchio;
- People's First Financial, of San Diego, Calif.; and
- Loan Modification Inc., of Lombard, Ill., and the company's owner Edward J. Galowitch.

With these new filings, Madigan has brought lawsuits against 28 mortgage rescue fraud schemes. To date, the Attorney General's lawsuits have resulted in judgments in nine cases for more than \$1.8 million in restitution for homeowners.

In each of today's lawsuits, Madigan alleges that the defendants target at-risk homeowners and ask for an upfront fee to negotiate with mortgage lenders to reduce the payments and save consumers' homes. According to Madigan's complaints, however, after the fraudulent operations collect the upfront fees, they fail to negotiate or perform any services on behalf of the homeowners, leaving consumers at even greater risk of losing their homes to foreclosure.

All four lawsuits allege the defendants' fraudulent tactics violate Illinois' Mortgage Rescue Fraud Act, which prohibits companies from requiring upfront payment from consumers prior to completing all the terms of a mortgage rescue contract. The law also requires businesses to fully disclose to a homeowner the exact nature and terms of the proposed rescue services and the homeowner's right to cancel the contract.

In each suit, the Attorney General is seeking a permanent injunction barring the defendants from engaging in mortgage rescue operations in Illinois. Madigan also is asking the courts to award restitution to consumers and to order each defendant to pay a civil

penalty of \$50,000, additional penalties of \$50,000 for each act committed with intent to defraud, an additional \$10,000 for each act committed against a senior citizen, and costs for the investigation and prosecution of the cases.

Madigan's lawsuits illustrate how she is using the office's enforcement authority to prosecute mortgage foreclosure rescue fraud. Earlier this year, Madigan joined federal agencies in Washington, D.C. to discuss the importance of a coordinated federal and state effort to tackle this crippling economic issue. On the state level, more than 150 enforcement actions have been brought against mortgage rescue companies across the country, and the states are increasingly sharing information and leveraging resources with federal agencies.

In addition to her enforcement actions, Madigan said a critical component of the fight against mortgage rescue fraud is consumer awareness. The Attorney General urged homeowners to reach out to trusted sources for assistance. To prevent homeowners in crisis from losing their homes to foreclosure, Madigan urged them to immediately contact:

- Attorney General Madigan's **Homeowner Helpline** at 1-866-544-7151 for guidance on avoiding mortgage foreclosure;
- A HUD-certified housing counselor for assistance in working out a solution with the lender (Madigan's office can provide names and numbers for these counselors); and
- Their mortgage company, whose contact information is found on their monthly mortgage statement.

Madigan also directed homeowners to her Web site at [www.IllinoisAttorneyGeneral.gov](http://www.IllinoisAttorneyGeneral.gov), to access her Mortgage Rescue Fraud Brochure and her 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 Helpline to quickly receive the guide or the brochure by mail.

Other states participating in today's effort include: Arizona, California, Colorado, Idaho, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan, Missouri, New Jersey, New Mexico, North Carolina, Ohio, Oregon and Texas.

Assistant Attorneys General Junko Minami, Vaishali Rao, and Kimberly Slider are handling the lawsuits for Madigan's Consumer Fraud Bureau.

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