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**MADIGAN CRACKS DOWN ON CHICAGO MORTGAGE AND  
HOME REPAIR FRAUD SCHEME*****\$1.3 Million Swindled from Elderly, African-American Homeowners  
in Subprime Loan Scam***

Chicago — Attorney General Lisa Madigan today filed a lawsuit in Cook County Circuit Court against a Chicago man and five home repair and mortgage companies for conducting a wide-spread scheme that targets African-American consumers on Chicago's South and West sides and has stripped nearly \$1.3 million in equity from the homes of at least 36 consumers, including several who lost their homes to foreclosure.

"These defendants purposely solicit homeowners in predominantly African-American neighborhoods, luring unsuspecting borrowers into deceptive refinancing loans and home repair contracts that they cannot afford and did not necessarily need," Madigan said. "Now, many of the victims are at risk of foreclosure and some have already lost their homes as a result of this deception."

Madigan's complaint alleges that Mark Diamond owns or works with multiple financing and home repair companies in a coordinated scheme to defraud homeowners and strip equity from their homes. Based on their role in this fraud scheme with Diamond, the Attorney General also has sued the three home repair and remodeling companies, United Construction of America, Inc., United Residential Services and Real Estate Inc., and Skyway Builders #1, Inc., and two finance companies, OSI Financial Services, Inc., and Harbor Financial Group, Ltd. Diamond is president of United Residential Services and OSI Financial Services, and he works as an agent for the other companies named in Madigan's lawsuit.

Madigan alleges that Diamond targets elderly and African-American residents living on Chicago's South and West sides and solicits them either in person through door-to-door sales or over the phone, offering to refinance their mortgages with lower interest rates or lower monthly payments. To entice consumers who say they do not need to refinance, Diamond allegedly persuades the homeowners that refinancing would make it possible to use their home equity to make repairs, such as replacing aging roofs, or to add upgrades to the house, such as new kitchens and bathrooms. Through the two finance companies, OSI Financial Services and Harbor Financial, Diamond baits consumers with low interest rates and lower monthly payments but then later sticks them with higher interest rates and larger monthly payments that they cannot afford. Without the knowledge of the homeowners, Diamond also allegedly inflates their income and assets on loan applications, which also contributes to their inability to afford the loans.

Madigan's lawsuit further alleges that Diamond employs deceptive, high-pressure tactics to ensure that consumers do not object to the altered loan terms. For example, Diamond allegedly fails to tell some consumers about the closing dates for their loans, instead forging the consumers' signatures on the closing documents. When consumers do appear for closings, Diamond allegedly discourages them from bringing their own attorney. If consumers question the loan terms, Diamond allegedly offers to refinance consumers' loans one year later but then usually fails to do so, unless the consumer still has equity in the home a year later.

After the closings, Diamond allegedly convinces consumers to endorse over their "cashout" checks to him to pay for home repairs. According to Madigan's complaint, however, Diamond's repair companies often fail to begin construction. When they do start construction, Diamond's repair companies often perform substandard work or do not complete the project, leaving homeowners with outstanding loan balances for unfinished work and owing more on their homes than ever before. On many occasions, Diamond allegedly pocketed a portion of the money for his personal benefit, rather than completing the home repair projects.

Because of the expensive and risky loan terms, many consumers struggle to make monthly payments. At least 12 consumers are now in default on their loans, and two lost their homes to foreclosure. Madigan's Consumer Fraud Bureau has received 36 complaints against Diamond and the affiliated mortgage and home repair companies.

Through today's lawsuit, the Attorney General's office seeks to permanently enjoin Diamond and all companies affiliated with him from operating in Illinois and to revoke any licenses that he or the companies hold. In addition, Madigan's suit asks the courts to rescind all consumers' contracts and award restitution to consumers. The Attorney General's suit also asks the court to order the defendants to pay civil penalties 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 the costs of the investigation and prosecution of the case.

Assistant Attorneys General Michelle Garcia and Junko Minami are handling the lawsuit for Madigan's Consumer Fraud Bureau.

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