CFPB, FTC and States Announce Sweep Against Foreclosure Relief Scammers

CFPB Files Suits for Operations that Used Deception and False Promises to Collect More than $25 Million in Illegal Fees from Distressed Homeowners

WASHINGTON, D.C. — The Consumer Financial Protection Bureau (CFPB), the Federal Trade Commission (FTC), and 15 states announced a sweep against foreclosure relief scammers that used deceptive marketing tactics to rip off distressed homeowners across the country. The Bureau is filing three lawsuits against companies and individuals that collected more than $25 million in illegal advance fees for services that falsely promised to prevent foreclosures or renegotiate troubled mortgages. The CFPB is seeking compensation for victims, civil fines, and injunctions against the scammers. Separately, the FTC is filing 6 lawsuits, and the states are taking 32 actions.

"We are taking on schemes that prey on consumers who are struggling to pay their mortgages or facing foreclosure," said CFPB Director Richard Cordray. "These companies pocketed illegal fees—taking millions of hard-earned dollars from distressed consumers, and then left those consumers worse off than they began. These practices are not only illegal, they are reprehensible."

The first lawsuit names Clausen & Cobb Management Company and owners Alfred Clausen and Joshua Cobb, as well as Stephen Siringoringo and his Siringoringo Law Firm. The second lawsuit is against The Mortgage Law Group, LLP, the Consumer First Legal Group, LLC, and attorneys Thomas Macey, Jeffrey Aleman, Jason Searns, and Harold Stafford. The third lawsuit is against the Hoffman Law Group, its operators, Michael Harper, Benn Wilcox, and attorney Marc Hoffman, and its affiliated companies, Nationwide Management Solutions, Legal Intake Solutions, File Intake Solutions, and BM Marketing Group.

The CFPB alleges that the scammers used deceptive marketing to persuade thousands of consumers to pay millions in illegal, upfront fees for promised mortgage modifications. Each of the scammers was a law firm or was associated with one. The defendants disguised their false promises of foreclosure relief for struggling homeowners with claims that they were performing legal work. These

tactics are used by foreclosure relief scams to attract victims, add credibility to their schemes, or exploit certain legal exemptions for the practice of law.

The CFPB alleges that the defendants violated Regulation O, formerly known as the Mortgage Assistance Relief Services (MARS) Rule, which generally bans mortgage assistance relief service providers from requesting or receiving payment from consumers for mortgage modifications before a consumer has signed a mortgage modification agreement from their lender. It also prohibits deceptive statements and requires certain disclosures when companies market mortgage assistance relief services. In addition, the CFPB alleges that some of the defendants violated the Dodd-Frank Wall Street Reform and Consumer Protection Act, which generally prohibits deceptive practices in the consumer financial market.

The illegal practices alleged in the complaints include:

- **Collecting fees before obtaining a loan modification:** Companies cannot legally accept payment for helping to obtain a mortgage modification for a consumer before the consumer has a modification agreement in place with their lender. All of these companies charged consumers advance fees without having first obtained modifications for them, which was not only illegal but also caused significant harm to consumers who often paid thousands of dollars without ever receiving a modification. The CFPB alleges that, after pocketing illegal fees from one distressed homeowner after another, defendants typically stopped returning consumers' phone calls and emails.

- **Inflating success rates and likelihood of obtaining a modification:** The firms' marketing materials misrepresented the likelihood that they would help consumers save substantial sums in mortgage payments. Ultimately, many consumers who paid these companies advance fees did not receive a mortgage modification and ended up worse off than they began.

- **Duping consumers into thinking they would receive legal representation:** All of these companies engaged in a particularly

egregious scam where the perpetrators used their status as attorneys to dupe consumers into thinking they would receive legal representation when many consumers never spoke with an attorney or had their case reviewed by one.

- **Making false promises about loan modifications to consumers:** During meetings, some consumers were misled into believing that they were eligible for a loan modification. Other consumers were promised that they would receive relief within a few months. In the end, many consumers learned that the defendants had not contacted their lenders or obtained any meaningful relief for them. Ultimately, homeowners across the country lost thousands of dollars and suffered significant economic injury, including losing their homes.

Today, the Bureau is also releasing a Consumer Advisory to help consumers recognize the red flags of foreclosure relief scams, especially when someone is claiming to provide legal help. Many scammers require consumers to send a third-party authorization form to their lender so that the scammer can communicate with the lender on the consumer's behalf. Often, the scammer tells the consumer to no longer have any contact with the lender. The Consumer Advisory being released by the Bureau also helps consumers better understand what it means to authorize a third party to act on their behalf.

Clausen & Cobb Management Company, Inc. and Siringoringo Law Firm

The Bureau filed its complaint against three individuals, Stephen Siringoringo, Alfred Clausen, Joshua Cobb, and a corporation, Clausen & Cobb Management Company, Inc. (CCMC), for allegedly charging homeowners illegal advance fees for mortgage loan modifications. Their operation charged initial fees ranging from $1,995 to $3,500, in addition to monthly fees of $495, to thousands of California homeowners in distress. The complaint alleges that Clausen, Cobb, and CCMC managed, staffed, and supported the deceptive loan modification operations of Stephen Siringoringo's southern California law firm. The State Bar of California initially referred the misconduct to the CFPB.

The complaint against Clausen & Cobb Management Company, Inc. et al. is available at:http://files.consumerfinance.gov/f/201407_cfpb_complaint_clausen-cobb.pdf

The Mortgage Law Group and the Consumer First Legal Group

The CFPB alleges that the Mortgage Law Group (TMLG) and Consumer First Legal Group (CFLG) took in over $19.2 million in fees from over 10,000 distressed homeowners nationwide, with most, if not all, of that money coming from illegal advance fees for so-called loan modification services. Both TMLG and CFLG have ceased operations, but the CFPB is seeking redress for consumers harmed by their practices and permanent injunctive relief against the principals, Thomas Macey, Jeffrey Aleman, Jason Searns, and Harold Stafford.

The complaint against The Mortgage Law Group et al. is available at:http://files.consumerfinance.gov/f/201407_cfpb_complaint_cfpb-v-tmlg-et-al.pdf

Hoffman Law Group

The CFPB alleges that since April 2012, the Hoffman Law Group (HLG) enterprise has accepted over $5 million in illegal upfront fees. The Hoffman Law Group sold consumers the chance to join mass lawsuits as a plaintiff and falsely promised them that the lawsuits will help them get mortgage loan modifications or foreclosure relief. HLG typically charged consumers an upfront fee of $6,000 plus a $495 monthly maintenance fee every following month. The Bureau alleges that the Hoffman Law Group frequently failed to help consumers obtain relief, and often did not answer or return phone calls and emails from consumers who had already paid their fees.

The Bureau's complaint against the Hoffman Law Group was filed jointly with the Attorney General for the State of Florida, who has been a strong partner in the case. Upon filing their complaint against the Hoffman Law Group, the Bureau and the State of Florida sought a temporary restraining order that was issued by

the court, freezing the company's assets and installing a receiver to oversee the business and ensure that the company's illegal conduct ceases.

The complaint against Hoffman Law Group et al. is available at:http://files.consumerfinance.gov/f/201407_cfpb_complaint_hoffman-law-group-et-al.pdf

The Bureau's complaints are not a finding or ruling that the defendants have actually violated the law.

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit ConsumerFinance.gov.