



SIGTARP

OFFICE OF THE SPECIAL INSPECTOR GENERAL
FOR THE TROUBLED ASSET RELIEF PROGRAM

ADVANCING ECONOMIC STABILITY THROUGH TRANSPARENCY, COORDINATED OVERSIGHT AND ROBUST ENFORCEMENT

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www.SIGTARP.gov

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ALLEGED CALIFORNIA-BASED NATIONWIDE MORTGAGE MODIFICATION SCAM SHUT DOWN

*Scam Targeted Struggling Homeowners and Falsely Claimed Associations with
Federal Housing Programs Including HAMP*

WASHINGTON, DC - The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) today announced action taken by the Consumer Financial Protection Bureau (CFPB) to halt an alleged mortgage loan modification scam believed to have ripped-off struggling homeowners across the country.

At the request of the CFPB, a U.S. District Court Judge in the State of California has ordered a halt to the operations of the National Legal Help Center and frozen its assets while the CFPB moves forward with the case. The case was initially referred to the CFPB by SIGTARP and the U.S. Department of the Treasury's Office of Financial Stability, which have coordinated closely with the CFPB throughout the investigation.

"It is absolutely unacceptable for unscrupulous con artists to take advantage of our nation's housing crisis by targeting homeowners looking for help from TARP's Home Affordable Modification Program," said Christy Romero, Special Inspector General for TARP (SIGTARP). "We thank the CFPB for protecting homeowners. SIGTARP will continue to stop these scams and educate homeowners that mortgage modifications through HAMP are free."

"We are taking on schemes that prey on consumers who are struggling to pay their mortgages or facing foreclosure," said CFPB Director Richard Cordray. "We are especially concerned with those who misrepresent government programs or websites to divert distressed homeowners from needed assistance."

The CFPB is targeting loan modification operations that attempt to disguise their false promises of relief for struggling homeowners with claims that they are performing legal work or are a law firm. The CFPB is also particularly concerned with schemes that attract victims with false claims that they are endorsed by or represent the government. These tactics are used by mortgage relief scams to attract victims, add credibility to their schemes, or exploit certain legal exemptions for the practice of law.

The CFPB complaint alleges that the defendants in the National Legal Help Center case violated the Dodd-Frank Act and Regulation O, formerly known as the Mortgage Assistance Relief Services Rule. These laws prohibit unfair, deceptive, or abusive acts or practices and protect distressed homeowners from mortgage relief scams.

Violations of the law alleged in the CFPB's complaint include:

- *Illegally charged large upfront fees:* It is against the law for mortgage relief providers to charge fees before services are provided. However, the defendants in the case collected fees early on, typically ranging between \$1,000 and \$3,000 from each distressed homeowner, for services that rarely if ever materialized.
- *Deceptively claimed to be affiliated with government agencies and/or programs:* Defendants in the case used deceptive language and mailings with government logos, letterhead, and/or marks to mislead consumers into believing that their mortgage relief services were sponsored by or associated with government agencies or programs.
- *Misrepresented that they would secure loan modifications for consumers:* Defendants misled consumers that the defendants were experienced negotiators who would substantially reduce mortgage payments, and that defendants would identify legal violations by consumers' banks or mortgage companies to use as leverage in loan modification negotiations. However, it appears that defendants failed to provide meaningful relief for consumers.
- *Instructed consumers to stop paying their mortgages and stop contacting their lenders:* Financially distressed consumers were told to avoid interactions with their lenders and to stop mortgage payments because the defendants would provide relief, potentially putting the consumers unknowingly at risk of losing their homes and/or ruining their credit scores.

The CFPB also alleges that, after pocketing thousands of dollars in illegal fees from one distressed homeowner after another, the defendants typically stopped returning consumers' phone calls and emails. 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 each and suffered significant economic injury, including losing their homes.

National Legal Help Center

National Legal Help Center involves California residents Najia Jalan and Richard K. Nelson and their operation, which appears to target consumers in all 50 states with false promises of mortgage relief. According to the CFPB, National Legal Help Center falsely claimed that it would provide legal representation for consumers even though the individual defendants are not attorneys and consumers received no actual legal representation.

Defendants falsely claimed that, for a fee, they could assist consumers in getting benefits from government-affiliated programs, including HAMP and the recent nationwide mortgage servicing settlement between state attorneys general and the federal government and the five largest mortgage servicers. Defendants also falsely claimed that they were associated with the Independent Foreclosure Review program overseen by the Office of the Comptroller of the Currency (OCC) and the Federal Reserve. In reality, the defendants were not affiliated with either of the programs or in a position to provide the promised benefits to consumers. In fact, on March 16, 2012, the OCC issued an alert on its website about this scam.

The CFPB lodged its complaint against National Legal Help Center and requested a temporary restraining order in the U.S. District Court for the Central District of California on December 3, 2012. The court granted the request the next day.

Related Court Documents:

- The full text of the National Legal Help Center complaint is available here: http://files.consumerfinance.gov/f/201212_cfpb_nlhc-complaint.pdf
- The full text of the Temporary Restraining Order (TRO) entered by the court against National Legal Help Center is available here: http://files.consumerfinance.gov/f/201212_cfpb_nlhc-tro.pdf
- The CFPB's Memorandum in support of its application for the TRO against National Legal Help Center is available here: http://files.consumerfinance.gov/f/201212_cfpb_nlhc-tro-memo.pdf

In December 2011, SIGTARP, the CFPB, and the U.S. Department of the Treasury established a task force to combat mortgage modification scams exploiting HAMP and to raise public awareness of the scams. The task force issued a Consumer Fraud Alert, which offers tips on how to identify and avoid mortgage modification scams. To view the Consumer Fraud Alert tip sheet, visit: www.SIGTARP.gov/documents/Consumer_Fraud_Alert.pdf.

The CFPB has also released mortgage tips on how to spot a scam and where consumers can find help. The consumer tips can be found here: <http://www.consumerfinance.gov/blog/why-you-should-be-suspicious-of-government-logos>

Consumers can alert the CFPB about potential scams by filing a complaint at www.ConsumerFinance.gov or by calling toll free: 1-855-411-2372. Consumers can also submit a Tell Your Story account of their experiences on the CFPB's website.

SIGTARP investigates fraud, waste, and abuse in connection with TARP. If you suspect that you may have been a victim of a mortgage modification scam related to HAMP or to report other suspected illicit activity involving TARP, dial the SIGTARP Hotline at 1-877-SIG-2009 (1-877-744-2009) or visit www.SIGTARP.gov.

NOTE: The CFPB files a complaint when it has reason to believe that the law has been or is being violated, and it appears to the CFPB that an enforcement action is in the public interest. The complaint is not a finding or ruling that the defendant has actually violated the law.

About SIGTARP

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To receive alerts about quarterly reports, new audits, and media releases issued by SIGTARP, sign up at www.SIGTARP.gov/pages/press.aspx.

About CFPB

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 www.ConsumerFinance.gov.

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