

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

PEOPLE OF THE STATE OF ILLINOIS,
ex rel. Anita Alvarez, State's Attorney
of Cook County, Illinois,

Plaintiff,

vs.

LEGAL HOUSING & DEBT ADVISORS, LLC; and
JASON TONG, individually and as managing member
of LEGAL HOUSING & DEBT ADVISORS, LLC,

Defendants.

11CH33675
No.

FILED
CH-2809
SEP 27 2011
DOBOITY BROWN
CLERK OF THE CIRCUIT COURT
OF COOK COUNTY, IL

VERIFIED COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

NOW COMES the Plaintiff, the People of Illinois, ex rel. Anita Alvarez, State's Attorney of Cook County, and complains of Defendant Legal Housing & Debt Advisors, LLC (hereinafter "Legal Advisors" or "LHDA"); and Jason Tong, individually and as managing member of Legal Advisors for violations of the Illinois Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/1 et seq. (hereinafter the "Consumer Fraud Act"), and the Illinois Mortgage Rescue Fraud Act, 765 ILCS 940/1 et seq. (hereinafter the "Mortgage Rescue Act").

COUNT I - VIOLATIONS OF THE CONSUMER FRAUD ACT
AUTHORITY

1. This action was filed by the Plaintiff, the People of the State of Illinois, ex rel. ANITA ALVAREZ, State's Attorney of Cook County, Illinois (the "State's Attorney") pursuant to paragraph 505/7 of the Consumer Fraud Act. See 815 ILCS 505/7.

2. Section 7 of the Consumer Fraud Act provides in relevant part:

(a) Whenever the Attorney General or a State's Attorney has reason to believe that any person is using, has used, or is about to use any method, act or practice declared by this Act to be unlawful, and that proceedings would be in the public interest, he or she may bring an action in the name of the People of the State against such person to restrain by preliminary injunction the use of such method, act or practice. The Court, in its discretion, may exercise all powers necessary, including but not limited to:

injunction; revocation, forfeiture or suspension of any license, charter, franchise, certificate or other evidence of authority of any person to do business in this State; appointment of a receiver; dissolution of domestic corporations or associations; suspension or termination of the right of foreign corporations or associations to do business in this State; and restitution.

(b) In addition to the remedies provided herein, the Attorney General or State's Attorney may request and the Court may impose a civil penalty in a sum not to exceed \$50,000 against any person found by the Court to have engaged in any method, act or practice declared unlawful under this Act. In the event the Court finds the method, act or practice to have been entered into with the intent to defraud, the Court has the authority to impose a civil penalty in a sum not to exceed \$50,000 per violation. Under the Consumer Fraud Act, the term "person" includes any natural person or his legal representative, partnership, corporation (domestic and foreign), company, trust, business entity or association, and any agent, employee, salesman, partner, officer, director, member, stockholder, associate, trustee or cestui que trust.

815 ILCS 505/7 (2010)

3. Section 2 of the Consumer Fraud Act provides as follows:

Unfair methods of competition and unfair or deceptive acts or practices, including but not limited to the use or employment of any deception, fraud, false pretense, false promise, misrepresentation or the concealment, suppression or omission of any material fact, with the intent that others rely upon the concealment, suppression or omission of such material fact, or the use or employment of any practice described in Section 2 of the "Uniform Deceptive Trade Practice Act", approved August 5, 1965, in the conduct of any trade or commerce are hereby declared unlawful whether any person has in fact been misled, deceived or damaged thereby...

815 ILCS 505/2 (2010)

4. Section 2(a) of the Uniform Deceptive Trade Practices Act prohibits the following deceptive trade practices:

A person engages in a deceptive trade practice when, in the course of his or her business, vocation, or occupation, the person: . . .

(5) represents that goods or services have sponsorship, approval, characteristics, ingredients, uses, benefits, or quantities that they do not have or that a person has a sponsorship, approval, status, affiliation, connection that he or she does not have; . . .

(12) engages in any other conduct which similarly creates a likelihood of confusion or misunderstanding.

815 ILCS 510/2(a).

VENUE

5. Venue for this action properly lies in Cook County, Illinois, in that parts, if not all, of the transactions out of which this action arose occurred in Cook County, Illinois.

PARTIES

6. This action is brought for and on behalf of the People of the State of Illinois, ex. rel. ANITA ALVAREZ, State's Attorney of Cook County, Illinois, pursuant to the provisions of the Consumer Fraud Act, 815 ILCS 505/1 et seq., the Uniform Deceptive Trade Practices Act, 815 ILCS 510/1 et seq., the Mortgage Rescue Fraud Act, 765 ILCS 940/1 et seq., and the Debt Settlement Consumer Protection Act, 225 ILCS 429/1 et seq.

7. Plaintiff, ANITA ALVAREZ, State's Attorney of Cook County, Illinois (hereinafter "State's Attorney" or the "People") is authorized to enforce the Consumer Fraud Act, 815 ILCS 505/7(a), the Uniform Deceptive Trade Practices Act, 815 ILCS 510/X, the Mortgage Rescue Fraud Act, 815 ILCS 765 ILCS 940/55(a) and the Debt Settlement Act, 225 ILCS 429/155(a).

8. Defendant Legal Advisors is registered as an Illinois domestic limited liability company (hereinafter "LLC") and maintains its principal place of business at 415 W. Golf Road, Suite 59, Arlington Heights, IL. (A true, certified copy of Defendant Legal Housing & Debt Advisor's LLC Articles of Organization is attached as Exhibit A).

9. Defendant Legal Advisors is a loan modification and debt settlement company that, among other financial services, negotiates loan modification packages on behalf of homeowners at risk of foreclosure.

10. Defendant Jason Tong is the managing member, principal owner and organizer of Defendant Legal Housing & Debt Advisors (hereinafter "Defendant LHDA").

11. At all relevant times, Defendant Tong directed, managed and controlled the business practices and policies of Defendant LHDA, and personally participated in the deceptive and unfair acts and practices complained of herein. Defendant Tong resides in Cook County, Illinois.

12. At all relevant times to this Complaint, Defendant Tong was not a licensed attorney, nor was he a paralegal employed and working under the direction and supervision of an Illinois licensed attorney.

13. At all relevant times, Defendant Tong was not licensed to negotiate terms of a residential mortgage loan, or to offer or provide debt settlement services in Illinois. (See certified statements of Defendants Tong's non-licensure to engage in loan modification and debt

settlement services, attached as Exhibits B and C).

14. At all relevant times, Defendant Tong was an agent of Defendant LHDA in his various capacities as an owner, investor, managing member, and employee who acted within the scope of his agency when he engaged in the deceptive practices complained of herein.

DEFENDANTS' BUSINESS PRACTICES

15. On April 17, 2010, Defendant Tong created and registered with the Illinois Secretary of State the assumed corporate name of his business, Legal Housing & Debt Advisors. The Defendants' business name causes confusion in the marketplace and misleads consumers into believing that Defendant LHDA provides legal advice and legal services in connection with consumer housing and debt matters.

16. On or about April 7, 2010, Defendant Tong registered and posted Defendant Legal Housing Advisor's Internet website, www.lhdallc.com on the Internet, which expressly advertised, solicited, and offered for sale its "law firm backed" residential loan modification and debt settlement services to members of the public.

Website

17. At all relevant times, Defendant Legal Advisors also advertised, offered for sale and sold "debt settlement" or "debt resolution" services to financially distressed consumers in Illinois via its website, www.lldhc.com and its telemarketing team.

18. At all relevant times, Defendant Legal Advisors also advertised, offered for sale and sold "debt settlement" or "debt resolution" services to financially distressed consumers in Illinois via its website, www.lldhc.com and its telemarketing team.

19. The Defendants' website claims to offer a wide range of housing and debt counseling services to consumers in need of loan modifications, loss mitigation, debt settlement, and the purchase and sale of homes, including rent-to-own services. The website includes order forms requesting consumers' personal identifying information and credit card information to obtain the above services and also offers a "free evaluation".

20. Defendant LHDA's web site, www.lhdaallc.com, prominently features the company's purported legal staff by displaying four (4) color images on its home page, two of which depict professionals dressed in business suits, who are reviewing documents at a conference table. Another color image depicts a gavel next to the Scales of Justice, and the final image depicts a home resting on the Scales of Justice with a pile of money hanging in the balance. (See Exhibit D, Defendants' home page and other pertinent portions).

21. The Defendants advertise their ability to relieve homeowners' of financial burdens and save homes from foreclosure by making the following representations on its website:

"Legal Housing Advisors, Inc., is a law firm backed loan modification company that provides legal representation, and a no cost financial evaluation with a money back guarantee".

"Look no further. Our legal loan modifications program will relieve you of the headaches of falling behind on payments and possibly facing foreclosure. We are one of the few legally backed loan modification companies with no up front charge for a financial evaluation, accompanied by a money back guarantee".

(See Exhibit D)

22. On their website, the Defendants claim they "provide superior legal representation with the highest level of professionalism ... by exercising unfailing honesty, integrity, fairness, loyalty, compassion and courtesy." (See Exhibit D).

23. However, buried in small print on the Defendants' website is the following disclaimer: "Legal Housing and Debt Advisors' services are administrative only, relaying consumer requests for services to Lenders or Credit Agents..." Further, in contrast to its advertising claims, this disclaimer is printed in a font size that is barely visible to the naked eye in lettering that is colored a very dim shade of blue. (See Exhibit D).

Telemarketing Sales Solicitations

24. The Defendants target homeowners who were either at-risk of, or currently in, foreclosure and/or bankruptcy proceedings. Specifically, Defendant LHDA's telemarketing sales agents cold-call financially distressed homeowners who are struggling to make their monthly mortgage payments to induce consumers to hire LHDA by misrepresenting that a team of lawyers will directly negotiate homeowners' loan modifications with their lenders. Alternatively, their telemarketing agents misrepresent that LHDA's staff works directly with attorneys to stop or prevent foreclosures and can obtain loan modifications that will lower homeowners' monthly mortgage payments to a specific amount the homeowner finds manageable.

25. Defendants agree to provide “legal” mortgage loan modification services to a wide range of distressed homeowners, from those in foreclosure to those who are still current on their mortgage payments, but struggling to make payments.

26. In general, Defendant LHDA’s telemarketing agents offer to reduce consumers’ principal and interest payments on their mortgage by \$400.00 - \$600.00.

27. In general, Defendant LHDA conditions its provision of “law firm-backed” loan modification services upon receipt of a signed contract and payment of its entire fee upfront, which can range from \$1,500.00 - \$2,500.00.

28. When consumers indicate that they are in distress and cannot afford to pay a lump sum of \$1,500.00 - \$2,500.00, the Defendants arrange a payment plan for consumers, which is then incorporated into LHDA’s form contract.

Contracts & Authorization Forms

29. As part of their deceptive business practices, Defendant LHDA executes contracts that do not state the exact nature of the services to be provided, the time for completion, or include a notice of cancellation for consumers. Moreover, Defendants contracts fail to notify consumers that Defendant LHDA is not permitted to request or take money upfront until the contracted for loan modification services are completed.

30. Under the terms of Defendant LHDA’s contract, consumers’ monies are to be held in a trust account by an attorney and these monies are to be immediately refunded should the promised services not be rendered through no fault of the customer. (See Exhibit E, Defendants’ contract, ¶ 9).

31. Prior to collecting their upfront fees, the Defendants advise consumers who are not yet thirty (30) days or more in arrears to stop making their mortgage payments. Defendants represent that this action will help their attorneys to better negotiate a loan modification with the lender.

32. Consumers rely on the Defendants advice and stop making their mortgage payments, thereby placing them at higher risk of foreclosure should their loan modification request be denied.

33. Even though Defendant LHDA’s telemarketers orally represent that their “team of attorneys” will work directly with lenders to reduce a consumer’s monthly mortgage payment to a manageable amount, they later furnish form contracts to consumers which merely promise to assist in submitting a request for a loan modification. (See Exhibit E, Defendants’ contract, ¶ 2).

34. The Defendants make additional misrepresentations designed to mislead the public and/or cause confusion as to the nature of LHDA's legal services.

35. The Defendants' contract expressly states, in part, that it will furnish customers with the following legal services :

3. UTILIZATION OF LEGAL COUNSEL. Service Provider has contracted one or more licensed attorneys to evaluate Service Provider's clients' files and to negotiate with their lenders regarding Service Provider's clients' alternatives to foreclosure. By signing this Agreement with Service Provider, Client authorizes Attorney and associate law firm to communicate and negotiate directly at every phase with Lender on Client's behalf.

(See Exhibit E, Defendants' contract, ¶ 3)

36. The Defendants' contract also makes the following statement in the next paragraph:

3. (...) Attorney represents Service Provider and in no way provides services, legal or otherwise, to Client. Client understands that Attorney is contracted to provide legal services to Service Provider and if Client chooses to obtain legal services, they should retain an attorney of their own choice or advise them of any matter pertaining to this agreement.

(See Exhibit E, Defendants' contract, ¶ 3)

37. The statements in paragraphs 35 and 36 above are contradictory and cause confusion about the nature and extent of legal services the Defendants are contracting to provide.

38. Similarly, the Defendants present distressed homeowners with an Authorization Form to be signed by consumers to permit the law firm of Steven Mevorah & Associates, its attorneys, employees, and agents to negotiate with their lender for lower payment terms, and defines these persons as "Designated Agent". At the same time, Defendants' Authorization Form also names, Defendant Tong, a non-attorney who is not employed by said law firm, as the Designated Agent to negotiate with the consumers' lender. Specifically, the Defendants' Authorization form states:

I hereby authorize my lender(s) to discuss my request for payment assistance with The Law Offices of Steven H. Mevorah, its employees, agents and attorneys (hereinafter referred to as "Designated Agent"). Further, I authorize my lender to work out the terms of a payment agreement with my Designated Agent and to deliver to my Designated Agent all documents which concerns my request for payment assistance.

MY DESIGNATED AGENT IS: Jason Tong or Sara Kusek

Law Offices of Steven H. Mevorah & Associates
900 E. Roosevelt Road, Lombard, IL 60148
Tel. (630) 529-4761 Fax (630) 529-7630

(See Exhibit F, Defendant's Authorization Form)

39. The statements made in Defendants' Authorization Form are contradictory and cause confusion as to who will negotiate the loan modification with the lender as agent of the consumer.

40. At all relevant times, the Defendants and their telemarketing sales agents were not agents or employees of the Law Offices of Steven H. Mevorah.

41. Nevertheless, Defendant Tong regularly represented to consumers' lenders that he was calling from the Law Offices of Steven H. Mevorah & Associates in connection with consumers' loan modification requests.

42. At all relevant times, the Defendants did not work under the management, supervision, or direction of any licensed attorney in Illinois.

43. In fact, no licensed attorney ever met or interviewed LHDA consumers to analyze their eligibility under Federal and private lender programs, or to explain the pros, cons, and likelihood of success under each program. Further, no licensed attorney negotiated loan modifications with lenders for LHDA consumers.

44. Contrary to their oral and written representations, Defendants provide mere administrative services to consumers, which were often of little or no value. These administrative services consist of gathering financial and other supporting documents, completing and submitting loan application forms to the homeowner's lender, and periodically checking on the application's status. These loan application forms are publicly available on the Internet, or through the lender's loan modification department, and are submitted to lenders electronically.

45. As part of their regular business practices, the Defendants then send electronic copies of consumers' documents or files to the attorney(s) at the Law Offices of Steven Mevorah & Associates for a purported "review", however, none of these attorneys meet or actively provide legal services to these consumers.

46. At all relevant times, the Defendants deposited consumers' up-front fees directly into their own account(s), and not into an attorney-held trust account as provided for under the Defendants' contract. (See Exhibit E, Defendants' contract, ¶ 7)

47. After receipt of their fees, the Defendants fail to keep consumers reasonably informed about their loan modification applications, and their lack of progress in obtaining reduced payments.

48. Frustrated by Defendant LHDA's delays, excuses, and questionable practices, some homeowners eventually negotiate directly on their own with their lender, and obtain a loan modification through their own efforts. Alternatively, some homeowners obtain mortgage relief through the assistance of governmental agencies, not the Defendants.

49. The following paragraphs 50 through 113 are pled merely as illustrations of Defendants' deceptive and unlawful business practices. Because the Defendants' unlawful activities are ongoing, the People reserve the right to prove additional violations of Illinois law through other consumers who have been similarly injured.

Nicola Pirolo

50. On or about June 2010, Defendant LHDA's telemarketing salesman, Edward Ciepiela, contacted Nicola Pirolo at his home and offered to provide debt consolidation services.

51. Pirolo informed Ciepiela he had been foregoing payment of his bills in order to make his \$2,049.00 mortgage payments, and was struggling to keep his home. At that time, Pirolo's wages had decreased from a high of \$104,000.00 to approximately \$50,000.00, and his wife was unable to work due to labor complications after the birth of twins.

52. In late June or early July 2010, Pirolo traveled to Defendant LHDA's offices in Arlington Heights, IL, and met with Defendant Tong and Ciepiela.

53. After interviewing Pirolo and reviewing his financials, Defendant Tong represented that LHDA had experience working with Pirolo's lender, Bank of America, and had successfully assisted distressed homeowners in Pirolo's situation. Defendant Tong advised that with his current reduction in income, Pirolo's mortgage payments could be reduced by \$400.00-\$600.00 provided Pirolo stopped making his mortgage payments for at least sixty (60) days. Defendant Tong stated that in about 6-7 months a loan modification could be secured through Bank of America to permanently reduce his monthly payments within the range of \$1,450.00-\$1,650.00.

54. Defendant Tong told Pirolo that LHDA worked with attorneys who maintained their law offices in Lombard, IL, and would negotiate his loan modification. Defendant Tong then presented Pirolo with LHDA's standard Agreement for his signature, and informed Pirolo that LHDA's customers were required to pay the entire fee before receiving loan modification services. Under the terms of the Agreement, Pirolo was required to pay an upfront fee of \$2,500. (See Exhibit E, Defendants' contract with Pirolo).

55. Pirolo relied on Defendant Tong's representations and believed that attorneys would be negotiating his loan modification with Bank of America, and on July 9, 2010, signed a

contract with LHDA and signed an Authorization Form permitting the Law Offices of Steven Mevorah & Associates to act as his agent. (See Exhibit F, Pirollo's Authorization Form)

56. Defendant LHDA's contract with Pirollo did not contain a Notice of Cancellation, nor did it contain a Notice informing him that LHDA could not ask for, or collect, upfront fees prior to rendering the contracted for services. (See Exhibit E, Pirollo's contract).

57. Over the course of the next sixty (60) days, Pirollo stopped making his mortgage payments, as directed by Defendant Tong.

58. On August 3, 2010, September 3, 2010, and October 5, 2010, Pirollo paid the required \$2,500.00 fee in three (3) installment payments of \$1,000.00, \$750.00, and \$750.00, respectively, via personal check. (See Exhibit G, Pirollo's bank records reflecting Pirollo's payments to Defendant LHDA)

59. After receiving Pirollo's \$2,500, the Defendants did not furnish Pirollo with an attorney to review his financial circumstances, advise him of his options to avoid foreclosure (including the costs and benefits associated with each), or negotiate a loan modification on his behalf.

60. Instead, Defendant LHDA gathered and submitted the same application forms and supporting documents to Pirollo's lender, Bank of America, that Pirollo himself had previously submitted in efforts to obtain a mortgage loan modification.

61. Over the course of 10-11 months, Pirollo periodically called Defendants for information regarding the status of his loan modification application. Pirollo grew concerned by the Defendants' lack of progress in that he had followed LHDA's advice to stop making his mortgage payments. Defendant Tong constantly gave him excuses ranging from blaming the bank's underwriters to the bank's personnel, while also claiming that the modification process was "in the final stages".

62. At one point, Pirollo personally confronted Defendant Tong at LHDA's office and demanded to know what LHDA had done to help him. Defendant Tong then showed, but did not give, Pirollo a document which falsely reflected rental income on Pirollo's bank statement, stating, "I had to boost your income".

63. Defendant LHDA failed to keep Pirollo reasonably informed about the status of his application, which was later declined by Bank of America. When Pirollo finally reached Defendant Tong, he was told that Bank of America had rejected his loan modification application in error because the lender had "looked at the wrong information".

64. Not satisfied with this explanation, Pirolo wrote to the President of Bank of America and received a written response stating his application was denied because he had a “bad debt to income ratio”.

65. Pirolo then applied for assistance with the Illinois Attorney’s General’s Office and, after an investigation of his finances, was advised to file for bankruptcy protection, which he did. At the time, Pirolo had not been paying his mortgage and his car had been repossessed.

66. Representatives of the Illinois Attorney General’s Office attempted to negotiate a loan modification for Pirolo, but were unsuccessful because Pirolo had a Federal Housing Authority (hereinafter “FHA”) loan, which by law limited FHA borrowers’ loan modification options.

67. Defendants never told Pirolo that his FHA loan could not be modified, nor did LHDA discuss the restrictions placed upon FHA loans with him.

68. However, within a matter of three (3) weeks of working with the Illinois Attorney General, Pirolo was able to obtain a “fresh start” by deferral of his mortgage payments through the bankruptcy filing. This option enabled Pirolo to remain in his home provided he stayed current on his mortgage payments (which remained the same).

69. Defendant LHDA’s contract with Pirolo expressly provides for a full refund of his \$2,500.00 fee in the event LHDA fails to provide the promised \$400.00-\$600.00 reduction in his mortgage payment.

70. Pirolo sought, but did not obtain, a refund of his fee from Defendant LHDA on more than one occasion. In response, Defendant Tong asked him for additional time to secure the promised mortgage payment reduction. Later, when Pirolo’s mortgage payments were deferred via the Illinois Attorney General’s efforts, Defendant Tong took credit for this outcome and then claimed this deferment constituted performance under Defendant LHDA’s contract.

71. To date, Pirolo has not received a refund of his fee.

Allen Jones

72. On or about February or March, 2010, Allen Jones of East St. Louis, received a telemarketing call from John Day of LHDA offering loan modification services.

73. Jones is a senior citizen living on a pension that was insufficient to cover his living expenses.

74. At the time he was contacted by Defendant LHDA, Jones was making his mortgage

payment of approximately \$743.00 because he did not want to lose his home, but was unable to pay his other bills.

75. After interviewing Jones regarding his financial situation, John Day represented that LHDA had experience working with Jones' lender, Bank of America, and had successfully assisted distressed homeowners in similar situations. John Day told Jones that to get a loan modification, he had to show his lender, Bank of America, that he was unable to pay his mortgage. John Day then instructed Jones to stop making his mortgage payments and assured him that LHDA's team of attorneys would negotiate more favorable loan terms directly with his lender.

76. John Day told Jones that LHDA required its customers to pay their fees upfront, and stated Defendant LHDA's loan modification services would cost \$1,200.00.

77. Jones relied on Day's representations and, believing that attorneys would be negotiating his loan modification with Bank of America, decided to hire Defendant LHDA.

78. Neither John Day nor anyone else from Defendant LHDA provided Jones with a written contract for his signature.

79. Over the course of the next four (4) months, Jones stopped making his mortgage payments. Jones paid Defendant LHDA's \$1,200 fee via four (4) money orders in order to obtain Defendants' promised legal services to modify his mortgage loan. Jones mailed these money orders to the Defendants' business address, made payable to "Legal Housing and Debt Advisors", in the following amounts: \$400.00 on April 29, 2010; \$400.00 on June 16, 2010; \$200.00 on July 21, 2010; and, \$200.00 on August 18, 2010.

80. After paying Defendants' up front fee, the Defendants never furnished Jones with an authorization form to permit Defendant LHDA or its affiliated attorneys to deal directly with Jones' lender, Bank of America. No attorney ever contacted Jones to review his financial circumstances, advise him of his options to avoid foreclosure (and the costs and benefits associated with each), or to negotiate his loan modification with Bank of America.

81. Instead, the Defendants merely interviewed Jones over the phone, gathered supporting documents from him, and submitted a loan modification application to Bank of America electronically over the Internet.

82. Over the next ten (10) months, Defendant LHDA failed to inform Jones about the status of his application.

83. When Jones began receiving notices from Bank of America concerning his missed mortgage payments, he became concerned about losing his home to the bank.

84. Sometime during the Spring of 2011, Jones contacted Defendant LHDA regarding the status of his application. Later that same day, John Day told Jones that his payments were going to be reduced to \$711.00 per month.

85. Jones later read one of the notices from Bank of America, that warned consumers against loan modification companies that ask for upfront fees. Jones called his lender, Bank of America, and was informed that no one should be charging fees up front to provide loan modification services. Jones was advised to work directly with the bank himself regarding his financial situation. Jones followed the representative's advice and began his own negotiations with Bank of America's loan modification department.

86. In May 2011, Jones was notified by Bank of America that he had to make three (3) monthly trial payments of \$711.00 each.

87. Soon thereafter, Jones was notified by Bank of America that his monthly mortgage payment would be permanently modified down to \$498.00, effective June 17, 2011.

88. Through his own efforts, Jones obtained a loan modification that permanently reduced his mortgage payments to \$498.00 per month.

89. To date, the Defendants have not refunded Jones any portion of his \$1,200.00 fee.

Allen Robinson

90. Allen Robinson and his partner, Thieng Senevongsa, jointly own their residence located in South Holland, Cook County, IL. In 2009, Robinson and Senevongsa began falling behind on their car and credit card payments, took out pay day loans, and generally struggled to keep current on their mortgage payments.

91. On or about September 2, 2009, Bank of America notified Robinson and Thieng that their mortgage loan was thirty (30) days past due.

92. On October 30, 2009, Robinson filed for chapter 13 bankruptcy protection in efforts to save the home from foreclosure. Senevongsa did not join in the bankruptcy, but instead pursued debt consolidation services. Robinson's and Senevongsa's financial situation placed considerable strain on their relationship.

93. Sometime in 2010, Senevongsa moved out of the house and stopped paying her ½ share of the couple's \$1,411.15 monthly mortgage. Robinson's sole source of income was his monthly disability check, which was approximately \$2,300.00.

94. In mid to late Summer 2010, Robinson responded to a mail solicitation offering debt settlement services, and contacted Defendant LHDA upon dialing their toll-free number. Defendant LHDA's telemarketing representative, John Day, offered to provide Robinson with

debt settlement and loan modification services. Robinson declined at that time. Over the course of the next 2-3 days, Day called Robinson about three (3) times per day soliciting his business.

95. During this period, Robinson informed Day of his financial circumstances, his bankruptcy filing, and his inability to pay his mortgage. At the time he was being solicited by LHDA, Robinson was still current on his mortgage but was falling behind on his other bills.

96. Day told Robinson that LHDA was a member of the Better Business Bureau and had experienced legal staff that had successfully negotiated loan modifications for others who were similarly situated to Robinson. Day also told Robinson that he worked directly with LHDA's team of attorneys who negotiated loan modifications on behalf of their customers.

97. Day told Robinson that Defendant LHDA could reduce his monthly mortgage to the \$1,000.00 - \$1,200.00 range through its "team of attorneys" and requested \$2,000.00 upfront for these services. Day told Robinson that to get the desired loan modification, he would have to stop making his mortgage payments.

98. Robinson relied on Day's assurances that LHDA could reduce his monthly mortgage payments by working with their attorneys, and decided to hire Defendant LHDA.

99. On September 3, 2010, Robinson signed a contract and an authorization form permitting LHDA to make four (4) electronic debits of \$500.00 each from his bank account, beginning in October 2010 and ending in January 2011. (See Exhibits H, I, and J, respectively Robinson's contract, debit authorization, and electronic payments to LHDA).

100. Defendant LHDA's contract with Robinson did not contain either a Notice of Cancellation, or a notice informing Robinson that LHDA could not ask for, or receive, upfront fees prior to rendering the contracted for services.

101. On October 15, 2010, Robinson signed an Authorization Form to permit the Law Offices of Steven H. Mevorah & Associates to work directly with his lender, Bank of America, to negotiate payment terms on his mortgage.

102. Thieng Senevongsa, who is a co-borrower on the mortgage loan and jointly owns the home with Robinson, did not sign the Authorization Form. (See Exhibit K, Robinson's Authorization form).

103. In compliance with Day's instruction to stop paying his mortgage, Robinson stopped making payments to Bank of America and became delinquent on the mortgage for the first time since filing for bankruptcy.

104. The Defendants never referred Robinson to an attorney to review his financial circumstances, to advise him of his options to avoid foreclosure (and the costs and benefits

associated with each), or to negotiate his loan modification with Bank of America.

105. Instead, LHDA merely gathered financial information and supporting documents from Robinson, and submitted a loan modification application electronically to Bank of America.

106. Over the course of approximately nine (9) months, the Defendants failed to keep Robinson informed about the status of his application. Instead, Robinson had to actively pursue Day, who either failed to return his calls or strung him along by stating they were “still in loan modification negotiations” with Bank of America.

107. Robinson eventually became frustrated with Defendant LHDA’s lack of progress, and asked to see the paper work that had been submitted. Alternatively, he sought a refund of his \$2,000.00, only to be told by Day, “don’t worry, no one is going to take your home.”

108. Sometime in early April 2011, Robinson was notified by the Trustee overseeing his bankruptcy that his monthly mortgage would be increased to \$1,670.36, effective June 1, 2011. (See Exhibit L, Robinson’s Notice of Mortgage Payment Charge)

109. Robinson immediately contacted LHDA and demanded to speak to LHDA’s owner, Defendant Tong.

110. Sometime in late May or early June, 2011, Robinson traveled to Defendant LHDA’s office in Arlington Heights, IL, and met with Defendant Tong, who assured him that Bank of America had denied his loan modification request in error. Defendant Tong promised to resubmit his application with new supporting documents.

111. To date, Robinson’s monthly mortgage obligation remains at the increased rate of \$1,670.36.

112. To date, Robinson has not received a refund of his \$2,000.00 despite the Defendants’ claimed money back guarantee.

113. Robinson is at grave risk of losing his home.

COUNT I

DEFENDANT LEGAL HOUSING & DEBT ADVISORS' VIOLATIONS OF THE CONSUMER FRAUD ACT

1. The State's Attorney incorporates by reference and realleges herein paragraphs 1-113.

114. By taking part in the aforementioned conduct, Defendant LEGAL HOUSING & DEBT ADVISORS, LLC, through its agents, engaged in the following deceptive and unfair business practices in the conduct of trade of commerce, in violation of Section 2 of the Consumer Fraud Act :

- a. Charged and collected upfront fees for claimed legal services it did not in fact provide;
- b. Misrepresented to consumers during telemarketing solicitations, on their website, and in their written contracts that LHDA's attorneys work on behalf of consumers to secure loan modifications;
- c. Misrepresented to consumers that attorneys would negotiate consumers' loan modification directly with lenders;
- d. Misrepresented to consumers that their upfront fees would be placed into an attorney-held trust account;
- e. Misrepresented that LDHA would refund consumers' entire fee should LHDA's loan modification application not be approved by the lender through no fault of the consumer;
- f. Intentionally concealed the true nature of LHDA's loan modification services by burying disclaimers on their website, making conflicting statements in its written contracts regarding its provision of legal services, and having consumers sign Authorization Forms that falsely claim to designate a law firm and its attorneys as the consumer's agent;
- g. Caused confusion and misunderstanding as to its affiliation, connection, or association with the Law Office of Steven Mevorah & Associates, thereby inducing consumers to pay LHDA considerable fees to provide legal services and/or representation the company in fact did not provide;
- h. Induced financially distressed homeowners to pay substantial fees upfront by falsely promising to reduce consumers' monthly mortgage payments within a specified range.

PRAYER FOR RELIEF

WHEREFORE, the People of the State of Illinois pray this Court to enter an order against Defendant LEGAL HOUSING ADVISORS that:

- A. Finds the Defendant engaged in unfair and deceptive practices in the conduct of trade or commerce in Cook County, Illinois, in violation of Section 2 of the Consumer Fraud Act and Sections 2(a)5 and 2(a)12 of the Uniform Deceptive Trade Practices Act;
- B. Permanently enjoins the Defendant from making material misrepresentations and/or omissions of fact in the conduct of business, particularly regarding the actual nature of its loan modification services, and its affiliation, sponsorship, or partnership with any attorney or law firm;
- C. Requires the Defendant pay restitution to all members of the public damaged by its violations of the Consumer Fraud and Uniform Deceptive Trade Practices Acts;
- D. Requires the Defendant pay a civil penalty in the amount of \$50,000.00 for each violation of the Consumer Fraud Act, and an added \$50,000.00 penalty for each violation committed with intent to defraud;
- E. Requires the Defendant pay all costs for the prosecution and investigation of this action, as provided for under Section 10 of the Consumer Fraud Act;
- F. Provides such other and further relief the Court deems necessary and just.

COUNT II

DEFENDANT TONG'S VIOLATIONS OF THE CONSUMER FRAUD ACT

1. The State's Attorney realleges and incorporates paragraphs 1- 113 of Count I as paragraphs 2 -114 of Count II.

115. Defendant JASON TONG, by directing, controlling, and supervising Defendant LEGAL HOUSING & DEBT ADVISORS's business practices, and personally participating in the aforementioned conduct, engaged in unfair or deceptive acts or business practices in violation of Section 2 of the Consumer Fraud Act in that he :

- a. Charged and collected upfront fees for claimed legal services he did not in fact provide;
- b. Misrepresented to consumers during telemarketing solicitations, on LHDA's website, and in LHDA's written contracts that attorneys work on behalf of consumers to secure loan modifications;

- c. Misrepresented to consumers that attorneys would negotiate consumers' loan modification directly with lenders;
- d. Misrepresented to consumers that their upfront fees would be placed into an attorney-held trust account;
- e. Misrepresented that LHDA would refund consumers' entire fee should LHDA's loan modification application not be approved by the lender through no fault of the consumer;
- f. Intentionally concealed the true nature of LHDA's loan modification services by burying disclaimers on their website, making conflicting statements in its written contracts regarding its provision of legal services, and having consumers sign Authorization Forms that falsely claims to designate a law firm and its attorneys as the consumer's agent;
- g. Caused confusion and misunderstanding as to its affiliation, connection, or association with the Law Office of Steven Mevorah & Associates, thereby inducing consumers to pay LHDA considerable fees to provide legal services and/or representation which the company did not in fact provide;
- h. Induced financially distressed homeowners to pay substantial fees upfront by falsely promising to reduce consumers' monthly mortgage payments within a specified range.

PRAYER FOR RELIEF

WHEREFORE, the People of the State of Illinois pray this Court to enter an order against Defendant JASON TONG that:

- A. Finds the Defendant engaged in unfair and deceptive practices in the conduct of trade or commerce in Cook County, Illinois, in violation of Section 2 of the Consumer Fraud Act and Sections 2(a)5 and 2(a)12 of the Uniform Deceptive Trade Practices Act;
- B. Permanently enjoins the Defendant from making material misrepresentations and/or omissions of fact in the conduct of business, in particular regarding the actual nature of his loan modification services, and his affiliation, sponsorship, or partnership with any attorney or law firm;
- C. Requires the Defendant pay restitution to all members of the public damaged by its violations of the Consumer Fraud and Uniform Deceptive Trade Practices Acts;
- F. Requires the Defendant pay a civil penalty in the amount of \$50,000.00 for each violation of the Consumer Fraud Act, and an added \$50,000.00 penalty for each violation committed with intent to defraud;

- G. Requires the Defendant pay all costs for the prosecution and investigation of this action, as provided for under Section 10 of the Consumer Fraud Act;
- F. Provides such other and further relief the Court deems necessary and just.

**COUNT III
MORTGAGE RESCUE FRAUD ACT**

1. Section 5 of the Mortgage Rescue Fraud Act provides in relevant part:

“Distressed property” means residential real property consisting of one to 6 family dwelling units that is in foreclosure or at risk of loss due to nonpayment of taxes, or whose owner is more than 30 days delinquent on any loan that is secured by the property”.

“Distressed property consultant” means any person who, directly or indirectly, for compensation from the owner, makes any solicitation, representation, or offer to perform or who, for compensation from the owner, performs any service that the person represents will in any manner do any of the following:

...

(6) assist the owner in foreclosure, loan default, post-tax sale redemption, period to obtain a loan or advance of funds;

...; or

(8) save the owner’s residence from foreclosure or loss of home due to nonpayment of taxes.

(765 ILCS 940/5)

2. Section 10 of the Mortgage Rescue Fraud Act provides that:

(a) a distressed property consultant contract must in writing and must fully disclose the exact nature of the distressed property consultant’s services and the total amount and terms of compensation.

(b) The following notice, printed in at least 12-point boldface type and completed with the name of the distressed property consultant, must be printed immediately above the statement required by subsection (c) of this Section:

“NOTICED REQUIRED BY ILLINOIS LAW”

.....(Name) or anyone working for him or her CANNOT:

(1) Take any money from you or ask you for money until

(2)(NAME) has completely finished doing everything he or she said he or she would do;

(c) A distressed property consultant contract must be written in the same language as principally used by the distressed property consultant to describe his or her services or to negotiate the contract, must be dated and signed by the owner, and must contain in immediate proximity to the space reserved for the owner's signature a conspicuous statement in a size equal to a least 12-point boldface type, as follows:

"You, the owner, may cancel this transaction at any time until after the distressed property consultant has fully performed each and every service the distressed property consultant contracted to perform or represented he or she would perform. See the attached notice of cancellation form for an explanation of this right."

(d) A distressed property contract must contain on the first page, in a type size no smaller than that generally used in the body of the document, each of the following:

(1) the name and address of the distressed property consultant to which the notice of cancellation is to be mailed; and

(2) the date the owner signed the contract.

(e) A distressed property consultant contract must be accompanied by a completed form in duplicate, captioned "NOTICE OF CANCELLATION", which must be attached to the contract, must be easily detachable, and must contain, in at least 12-point boldface type, the following statement written in the same language as used in the contract:

"NOTICE OF CANCELLATION"

.....

(Enter date of transaction)

You may cancel this transaction, without any penalty or obligation, at any time until after the distressed property consultant has fully performed each and every service the distressed property consultant contracted to perform or represented he or she would perform.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice, or any other written notice to: (Name of distressed property consultant) at (Address of distressed property consultant's place of business) I hereby cancel this transaction on (Date)(Owner's signature).

(f) The distressed property consultant shall provide the owner with a copy of a distressed property consultant contract and the attached notice of cancellation immediately upon execution of the contract.

(765 ILCS 940/10)

3. Section 15 of the Mortgage Rescue Fraud Act, in part, states:

(a) In addition to any other legal right to rescind a contract an owner has the right to cancel a distressed property consultant contract at any time until after the distressed property consultant has fully performed each service the distressed property consultant contracted to perform or represented he or she would perform.

...

(765 ILCS 940/15)

4. Section 50 of the Mortgage Rescue Fraud Act, in part, states:

(a) It is a violation for a distressed property consultant to:

(1) claim, demand, charge, collect, or receive any compensation until after the distressed property consultant has fully performed each service the distressed property consultant contracted to perform or represented he or she would perform;

(2) claim, demand, charge, collect, or receive any fee, interest, or any other compensation that does not comport with Section 70;

...

(7) induce or attempt to induce an owner to enter a contract that does not comply in all respects with Section 10 and 15 of this Act.

(765 ILCS 940/50)

5. Section 55 of the Mortgage Rescue Fraud Act provides:

(a) A violation of any of the provision of this Act constitutes an unlawful practice under the Consumer Fraud and Deceptive Business Practices Act. All remedies, penalties, and authority granted to the ...State's Attorney by the [Act] ... shall be available to him or her for the enforcement of this Act.

(765 ILCS 940/55)

6. Section 70 of the Mortgage Rescue Fraud Act states in relevant part:

In transactions that reduce the existing payment on a homeowner's mortgage loan for a period of no less than 5 years, a distressed property consultant shall not claim, demand, charge, collect, or receive any fee, interest, or any other compensation that exceeds the lesser of the homeowner's:

(1) existing monthly principal and interest mortgage payment; or

(2) total net savings derived from the lowered monthly principal and interest mortgage payment over the succeeding 12 months.

...

(765 ILCS 940/70)

DEFENDANT LEGAL HOUSING & DEBT ADVISORS'
VIOLATIONS OF THE MORTGAGE RESCUE FRAUD ACT

7. The State's Attorney realleges and incorporates paragraphs 1-113 of Count I as paragraphs 8-121 of Count III.

122. At all relevant times, Defendant Legal Advisors engaged in the business of "distressed property consulting" as the term is defined in Section 5 of the Mortgage Rescue Fraud Act, 765 ILCS 940/5, in that they advertised, solicited and offered loan modification services via the Internet, U.S. mail, and telephone calls, to homeowners who were in, or at risk of, foreclosure by falling in arrears on their mortgage payments.

123. By taking part in the aforementioned conduct, Defendant LEGAL HOUSING & DEBT ADVISORS, LLC, through its agents, engaged in the following violations of the Mortgage Rescue Fraud Act :

- a. failed to disclose the exact nature of its loan modification and distressed property consulting services, in violation of Section 10(a) of the Act;
- b. failed to include in its contract the required Notice disclosing that LHDA can not take, or ask, for any monies until it has completed performing the contracted for services, in violation of Section 10(b) of the Act;
- c. failed to provide consumers with a Notice of Cancellation with its contract, in violation of Section 10(e) of the Act;
- d. charged, collected, and received fees before fully performing the contracted for loan modification services, in violation of Section 50(a);
- e. charged, collected, and received fees in excess of the homeowner's existing monthly principal and interest mortgage payment, in violation of Section 50(a)(2); and
- f. induced homeowners to enter into contracts that do not include state mandated disclosures and notices of cancellation, in violation of Section 50(a)(7);
- g. furnished consumers with contracts that deny consumers the right to cancel at any time before LHDA fully performs the promised loan modification services.

PRAYER FOR RELIEF

WHEREFORE, the People of the State of Illinois pray this Court to enter an order against Defendant LEGAL HOUSING & DEBT ADVISORS that:

- A. Finds the Defendant is a distressed property consultant under the Mortgage Rescue Fraud Act;
- B. Finds the Defendant has violated Sections 10, 15, 50 and 70 of the Mortgage Rescue Fraud Act, and that said violations also constitute violations under the Consumer Fraud Act;
- C. Permanently enjoins the Defendant from engaging in acts or practices that violate the Mortgage Rescue Fraud Act including, but not limited to, the unlawful acts and practices specified herein above;
- D. Rescinds all contracts executed by the Defendant in violation of Sections 10, 15, 50 and 70 of the Mortgage Rescue Fraud Act and requires that restitution be made to all affected consumers;
- E. Provides such other and further relief the Court deems necessary and just.

COUNT IV

DEFENDANT JASON TONG's VIOLATIONS OF THE MORTGAGE RESCUE FRAUD ACT

1. The State's Attorney realleges and incorporates paragraphs 1-113 of Count I as paragraphs 2 -114 of Count IV.

115. The State's Attorney realleges and incorporates paragraphs 1-6 of Count III as paragraphs 116-122 of Count IV.

123. At all relevant times, Defendant Jason Tong engaged in the business of "distressed property consulting" as the term is defined in Section 5 of the Mortgage Rescue Fraud Act, 765 ILCS 940/5, in that he advertised, solicited and offered loan modification services via the Internet, U.S. mail, and telephone calls, to homeowners who were in, or at risk of, foreclosure and offered to help save their homes by lowering their monthly mortgage payments.

124. By taking part in the aforementioned conduct in his capacity as a distressed property consultant, Defendant Tong violated the Mortgage Rescue Fraud Act in that he :

- a. failed to disclose the exact nature of its loan modification and distressed property consulting services, in violation of Section 10(a) of the Act;
- b. failed to include in LHDA's contract the required Notice disclosing that LHDA can not take, or ask, for any monies until it has completed performing the contracted for services, in violation of Section 10(b) of the Act;
- c. failed to provide consumers with a Notice of Cancellation with LHDA's contract, in violation of Section 10(e) of the Act;
- d. charged, collected, and received fees before fully performing the contracted for loan modification services, in violation of Section 50(a);
- e. charged, collected, and received fees in excess of the homeowner's existing monthly principal and interest mortgage payment, in violation of Section 50(a)(2); and
- f. induced homeowners to enter into contracts that do not include state mandated disclosures and cancellation notices, in violation of Section 50(a)(7);
- g. furnished consumers with contracts that deny consumers the right to cancel at any time before LHDA fully performs the promised loan modification services.

PRAYER FOR RELIEF

WHEREFORE, the People of the State of Illinois pray this Court to enter an order against Defendant JASON TONG that:

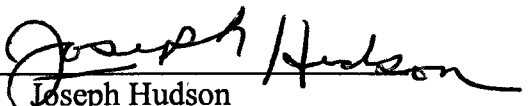
- C. Finds the Defendant is a distressed property consultant under the Mortgage Rescue Fraud Act;
- D. Finds the Defendant has violated Sections 10, 15, 50 and 70 of the Mortgage Rescue Fraud Act, and that said violations also constitute violations under the Consumer Fraud Act;

- C. Permanently enjoins the Defendant from engaging in acts or practices that violate the Mortgage Rescue Fraud Act including, but not limited to, the unlawful acts and practices specified above;
- D. Rescinds all contracts executed by the Defendant in violation of Sections 10, 15, 50 and 70 of the Mortgage Rescue Fraud Act and requires that restitution be paid to all affected consumers;
- E. Provides such other and further relief the Court deems necessary and just.

Respectfully submitted,

ANITA ALVAREZ
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