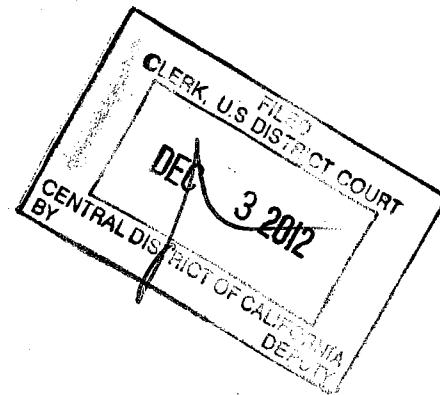


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15 Attorneys for Plaintiff
16 Consumer Financial Protection Bureau

17 **UNITED STATES DISTRICT COURT**
18 **CENTRAL DISTRICT OF CALIFORNIA**

19 Case No. _____
20 SACV12-02088 AG (ANx)

21 Consumer Financial Protection Bureau,
22 Plaintiff,
23 Najia Johnson (a/k/a Sarah Johnson, Sarah
or Sara St. John, Sarah Kim, Najia
Jalah, Sarah John, Sarah Love, or Najia
Ebrahimi, and d/b/a National Legal
Help Center, NationalLegalHelp.com,
National Legal Assistance, Legal
Modification Firm CP, First Class Doc
Prep, Williams Law Center JW,
Williams Litigation Center / Cash

24
25
26
27
**COMPLAINT FOR PERMANENT
INJUNCTION AND OTHER
RELIEF**

28
(FILED UNDER SEAL)

ORIGINAL

LODGED

12 DEC 3
2012
CONSUMER FINANCIAL PROTECTION BUREAU
U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

1 Entertainment and Najia Jalan), an
2 individual;

3 National Legal Help Center, Inc. (f/k/a
4 iModify Law, Inc., and d/b/a National
5 Legal Help Center,
6 NationalLegalHelp.com, National
7 Legal Help Center EP, National
Consumers Bank & Trust, First Class
Doc Prep / NCHC, and National Legal
Help Center HB), a corporation;

8 and

9 Richard K. Nelsen (a/k/a Richard or
10 Rick Nelson, and d/b/a National Legal
11 Help Center, NationalLegalHelp.com,
12 National Legal Assistance, First Class
13 Doc Prep, National Consumers Help
Center, and Williams Litigation Center
14 / Cash Entertainment), an individual;

15 Defendants.

16
17 Plaintiff, the Consumer Financial Protection Bureau (“CFPB” or “Bureau”),
18 alleges:

19 1. The Bureau brings this action under (1) Sections 1031, 1036(a), 1054, and
20 1055 of the Consumer Financial Protection Act of 2010 (“CFPA”), 12 U.S.C. §§ 5531,
21 5536(a), 5564, and 5565; and (2) Section 626 of the Omnibus Appropriations Act, 2009
22 (as amended by Section 1097 of the CFPA), 12 U.S.C. § 5538, and its implementing
23 regulation, the Mortgage Assistance Relief Services Rule (“MARS Rule”), recodified as
24 Mortgage Assistance Relief Services (collectively, “Regulation O”), 16 C.F.R. § 322
25 (2010), recodified as 12 C.F.R. §1015 (2011).

2. Defendants have violated the CFPA and Regulation O in connection with their marketing and sale of mortgage assistance relief services.

JURISDICTION AND VENUE

3. This Court has subject-matter jurisdiction over this action because it is “brought under Federal consumer financial law,” 12 U.S.C. § 5565(a)(1), presents a federal question, 28 U.S.C. § 1331, and is brought by an agency of the United States, 28 U.S.C. § 1345.

4. Venue is proper in this District under 28 U.S.C. §§ 1391(b) and (c), and 12 U.S.C. § 5564(f).

PLAINTIFF

5. Plaintiff Bureau is an independent agency of the United States charged with regulating the offering and provision of consumer financial products or services under Federal consumer financial laws. 12 U.S.C. § 5491(a). The Bureau’s regulatory authority extends to the provision of financial advisory services to consumers, which constitute consumer financial products or services. 12 U.S.C. § 5481(5); 5481(15)(A)(viii). Financial advisory services include services to assist consumers with debt management or debt settlement, modifications to the terms of any extension of credit, or foreclosure avoidance. 12 U.S.C. § 5481(15)(A)(viii); *see also id.* § 5481(5). The Bureau is authorized to take appropriate enforcement action to address violations of Federal consumer financial law, including the CFPA and Regulation O. *See* 12 U.S.C. §§ 5511(c)(4); 5512(a); 5531(a); 5564(a).

6. Sections 1031 and 1036(a) of the CFPA, 12 U.S.C. §§ 5531 and 5536(a), prohibit unfair, deceptive, or abusive acts or practices, or other violations of Federal consumer financial law, by any covered person or service provider. Regulation O requires providers of mortgage assistance relief services to make certain disclosures, prohibits them from making certain representations, and generally prohibits them from collecting an advance fee for such services.

7. The Bureau is authorized to initiate federal district court proceedings, by its own attorneys, to enjoin violations of the CFPA and Regulation O, and to secure such relief as may be appropriate in each case, including rescission or reformation of contracts, the refund of moneys paid, restitution, disgorgement or compensation for unjust enrichment, and civil money penalties. 12 U.S.C. §§ 5531; 5564(a)-(b); 5565.

DEFENDANTS

8. Defendant Najia Jalan (“Jalan”), also known as Sarah or Sara St. John, Sarah Johnson, Sarah Kim, Najia Jalal, Sarah Love, Najia Ebrahimi, or Sarah John, is an individual who, directly and through Defendant National Legal Help Center, Inc. (“NLHC”), offers, provides, or arranges for others to provide mortgage assistance relief services, as defined in Regulation O (16 C.F.R. § 322.2 (2010), recodified as 12 C.F.R. § 1015.2 (2011)), and financial advisory services within the meaning of the CFPA, 12 U.S.C. § 5481(15)(A)(viii), including but not limited to loan modification and foreclosure relief services.

9. Jalan is the President and Chief Executive Officer (“CEO”) of NLHC, formerly named iModify Law, Inc. (“iModify Law”). Jalan has managerial responsibility for NLHC and materially participates in the conduct of its affairs. At all times material to this complaint, Jalan transacts or has transacted business in the Central District of California.

10. Defendant NLHC is a California corporation formed by Defendant Jalan as “iModify Law, Inc.” on or about January 11, 2011, and renamed “National Legal Help Center, Inc.” by Defendant Jalan on or about August 29, 2011. NLHC also operates or has operated under the fictitious business names National Legal Help Center, NationalLegalHelp.com, National Legal Help Center EP, National Consumers Bank & Trust, First Class Doc Prep / NCHC, and National Legal Help Center HB. Its last known physical business address is 1740 East Garry Avenue, Suites 118, 119, 202, and 206, Santa Ana, California, and other locations purportedly at 5455 Wilshire Boulevard, Suite

1 2122, and 5482 Wilshire Boulevard, Suite 1513, Los Angeles, California. NLHC offers,
2 provides, or arranges for others to provide mortgage assistance relief services, as defined
3 in Regulation O (16 C.F.R. § 322.2 (2010), recodified as 12 C.F.R. § 1015.2 (2011)), and
4 financial advisory services within the meaning of the CFPB, 12 U.S.C.

5 § 5481(15)(A)(viii), including but not limited to loan modification and foreclosure relief
6 services. At all times material to this complaint, NLHC transacts or has transacted
7 business in the Central District of California.

8 11. Defendant Richard K. Nelsen (“Nelsen”), also known as Richard Nelson,
9 Rick Nelsen, and Rick Nelson, is an individual who, directly and through NLHC, offers,
10 provides, or arranges for others to provide mortgage assistance relief services, as defined
11 in Regulation O (16 C.F.R. § 322.2 (2010), recodified as 12 C.F.R. § 1015.2 (2011)), and
12 financial advisory services within the meaning of the CFPB, 12 U.S.C.

13 § 5481(15)(A)(viii), including but not limited to loan modification and foreclosure relief
14 services.

15 12. Nelsen is the Secretary and Chief Financial Officer (“CFO”) of NLHC.
16 Nelson has managerial responsibility for NLHC and materially participates in the conduct
17 of its affairs. At all times material to this complaint, Nelsen transacts or has transacted
18 business in the Central District of California.

19 **SUMMARY OF COMPLAINT**

20 13. Since at least early 2010, Jalan, NLHC, and Nelsen (collectively,
21 “Defendants”) have engaged in an ongoing, unlawful mortgage relief scheme that preys
22 on financially distressed homeowners nationwide by falsely promising mortgage
23 assistance relief services in exchange for an advance fee. Defendants have used websites,
24 mailers, unsolicited emails, and outbound phone calls – more than 90,000 phone calls
25 were placed over a three-month period to consumers in all 50 states – to attract struggling
26 homeowners by deceptively promising foreclosure relief or mortgage modifications that
27 will make consumers’ payments substantially more affordable. They also promise that

1 they will obtain such results within a certain period of time. In exchange for these
2 promises, Defendants have charged homeowners unlawful advance fees ranging from
3 \$1,000 to \$3,000, and in some cases more than \$10,000.

4 14. Defendants have collected at least \$1.6 million from consumers since early
5 2010.

6 15. Defendants gain consumers' confidence by misrepresenting that they are a
7 government agency or are approved by or affiliated with the government. For example,
8 one of Defendants' domain names, makinghomeaffordable.ca, has contained content
9 indistinguishable from that of makinghomeaffordable.gov, the official webpage of the
10 federal government's Making Home Affordable program ("MHA"). The only apparent
11 difference is the phone number consumers are given to call for help. Defendants
12 regularly send spam emails to consumers with sender names such as "U.S[.] Dep of
13 Housing New Programs," "United States Department of Mortgage Fraud and Consumer
14 Assistance," and National Homeowners['] Assistance Program Approved by the FTC
15 855-LAW-5559." Defendants have sent spam and mailers to consumers that include the
16 marks of the U.S. Department of Housing and Urban Development ("HUD"), the U.S.
17 Securities and Exchange Commission ("SEC"), the Office of the Comptroller of the
18 Currency ("OCC"), and the U.S. Department of the Treasury ("Treasury"). Defendants
19 have recently sent spam to consumers in which Defendants purport to be the California
20 Office of the Attorney General.

21 16. Additionally, Defendants are innovative in updating their marketing to keep
22 pace with the latest government programs. Some of Defendants' recent marketing
23 materials reference "Independent Foreclosure Review," which is, in reality, a program
24 overseen by the OCC and the Federal Reserve in which borrowers who believe that they
25 have suffered injury as a result of deficiencies in foreclosure proceedings may request
26 free third-party review of their cases. Defendants' recent marketing materials also

1 reference the nationwide mortgage servicing settlement that state and federal authorities
2 recently reached with the five largest mortgage servicers.

3 17. Defendants also misrepresent that NLHC is a “full-service law firm” and
4 that consumers will be represented by attorneys who are experienced in negotiating or
5 litigating foreclosure relief or negotiating mortgage loan modifications. In reality,
6 Defendants merely affiliate with attorneys who neither represent consumers nor have an
7 attorney-client relationship with them.

8 18. Regulation O was promulgated for the explicit purpose of preventing
9 consumer harm from mortgage assistance relief scams like Defendants’. Mortgage
10 Assistance Relief Services; Final Rule, 75 Fed. Reg. 75,092, 75,097-98 (Dec. 1, 2010).
11 Defendants, however, structure their program in a failed attempt to circumvent
12 Regulation O. For example, Defendants charge some homeowners for a “forensic audit”
13 or “securitization report,” which is a purported analysis of mortgage loan documents to
14 find law violations. They claim that they will use this document to gain leverage over,
15 and improve the outcome of negotiating foreclosure relief or a mortgage loan
16 modification with, consumers’ lenders or servicers. In some instances, Defendants
17 provide contracts to consumers stating that their upfront fee is for only the “forensic
18 audit” or “securitization report,” apparently so they can assert that they provide the
19 promised foreclosure relief or loan modification for “free” and not in exchange for an
20 advance fee.

21 19. In reality, Defendants do little or nothing to assist consumers. Rather,
22 Defendants direct consumers to avoid interactions with their lender and to stop making
23 their mortgage payments. In numerous instances, Defendants also do not obtain
24 mortgage loan modifications for consumers that will make their payments substantially
25 more affordable or will help them avoid foreclosure.

26 20. As a result of all of the foregoing conduct, many consumers suffer
27 significant economic injury, including foreclosure and the loss of their homes.
28

GOVERNMENT MORTGAGE ASSISTANCE

21. Numerous mortgage lenders and servicers have offered certain borrowers the opportunity to modify loans that have become unaffordable. Many of these loan modification programs have expanded dramatically as lenders have increased participation in the federal government's MHA program, a plan to stabilize the U.S. housing market and help millions of Americans reduce their mortgage payments to more affordable levels. The MHA program includes the Home Affordable Modification Program ("HAMP"), to which the federal government has committed up to \$75 billion to keep significant numbers of Americans in their homes by preventing avoidable foreclosures. While Defendants rely on references to MHA and HAMP to market their services, Defendants are not connected with the program and are not affiliated or otherwise associated with, or endorsed, sponsored, or approved by, the United States government in any way.

DEFENDANTS' BUSINESS ACTIVITIES

22. Defendants have engaged in a course of conduct to offer, provide, or arrange for others to provide to homeowners mortgage assistance relief services, including mortgage loan modifications, loss mitigation, foreclosure relief services, and forensic audits.

23. To induce consumers to purchase their services, Defendants market their services through Internet websites that promise mortgage modifications and relief from foreclosure. They also employ outbound telephone calls – as well as direct mail solicitations and spam emails that solicit inbound calls – to consumers throughout the United States who are in financial distress, behind on their mortgage loans, or in danger of losing their homes to foreclosure.

Defendants' Websites

24. Defendants own or have owned approximately 165 internet domains whose names relate to mortgage assistance relief services or legal services. Defendants maintain

1 or have maintained numerous mortgage-related websites, including imodifylaw.com,
2 hudmortgagehelp.org, nationalbankfraud.com, makinghomeaffordable.ca,
3 hampriskdepartment.org, helpwithmylender.com, 995-hope.com,
4 obamamortgagehelp.com, fhamortgagehelp.com, nationallegalhelp.com,
5 nationalconsumersassistancecenter.com, rocket-lawyer.net, loan-safe.org, green-light.tv,
6 lending-tree.tv, law-page.org, fightmortgagefraud.us, nationalmortgagehelp.tv,
7 homeloanassistance.org, nationallawcenter.net, and securitizationlitigation.com.

8 25. Defendants have operated several websites nearly identical to those of
9 government entities or government-endorsed not-for-profit organizations. The only
10 apparent difference, in many instances, has been the phone number that consumers are
11 asked to call. Not only did Defendants' makinghomeaffordable.ca appear
12 indistinguishable from the federal government's makinghomeaffordable.gov, but
13 Defendants' 995-hope.org and hampriskdepartment.org appeared nearly indistinguishable
14 from 995hope.org, the website of the Homeownership Preservation Foundation, a
15 network of non-profits that help distressed homeowners.

16 26. In some instances, Defendants' websites contain the logos of major home
17 mortgage lenders and servicers.

18 27. In numerous instances, Defendants' websites focus on loan modifications.
19 For example, on obamamortgagehelp.org, Defendants describe how a homeowner can
20 restructure a loan – for example, to reduce interest rate or principal, or change an
21 adjustable rate to a fixed rate – with the assistance of lawyers. The page also refers to
22 HAMP and suggests that NLHC's lawyers can help consumers access the program.

23 28. Similarly, helpwithmylender.com states that Defendants will negotiate loan
24 modifications with consumers' lenders; it promises, "We will express to your lender your
25 unique FINANCIAL HARDSHIP using our proven negotiation techniques. Using
26 current laws and a new start to get back on track with LOWER PAYMENTS based on
27 your qualifications."

29. In numerous instances, Defendants' websites represent that Defendants will provide legal services to consumers. Defendants state on foreclosure-prevention-law.com, for example, that "We are a Full Services [sic] Law Firm with over 33 Years of Experience." Similarly, helpwithmylender.com includes a statement that Defendants have "teamed up with complex business litigation, real estate and banking attorneys to help people victimized by violations of consumer protection laws."

30. Defendants' websites fail to disclose in a clear and prominent manner that:
(1) Defendants' company is not associated with the government or approved by the government or the consumer's lender; and (2) even if the consumer uses Defendants' service, the consumer's lender may not agree to modify the loan.

Defendants' Deceptive Direct Mail Solicitations

31. As part of the scheme, Defendants send direct mail solicitations to financially distressed homeowners throughout the United States to convince consumers to call Defendants to inquire about Defendants' purported mortgage assistance relief services.

32. Defendants' direct mail solicitations misrepresent that the Defendants are affiliated with or authorized by consumers' mortgage lender or servicer. For instance, one of Defendants' direct mail solicitations states, "Notice of Trustee's Sale," in bold at the top and goes on to say, "Unless you take action to protect your property, it may be sold at a public sale . . . Please call 855-529-5559 to stop the sale":

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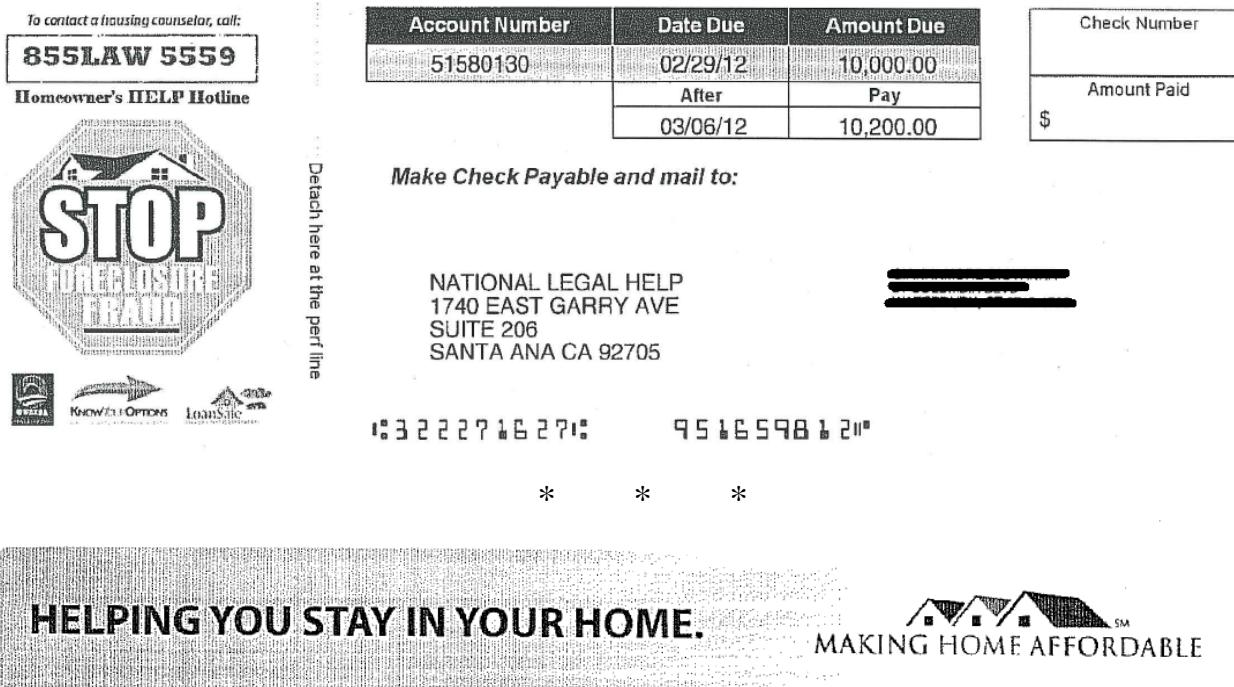
SPACE ABOVE THIS LINE FOR RECORDERS USE

NOTICE OF TRUSTEE'S SALE

**YOU ARE IN DEFAULT UNDER A DEED OF TRUST. UNLESS YOU TAKE ACTION TO
PROTECT YOUR PROPERTY, IT MAY BE SOLD AT A PUBLIC SALE. IF YOU NEED AN
EXPLANATION OF THE NATURE OF THE PROCEEDING AGAINST YOU, YOU SHOULD
CONTACT A LAWYER.**

PLEASE CALL 855-529-5559 TO STOP THE SALE

1 33. Another of Defendants' direct mail solicitations contains images and
2 language misrepresenting affiliation with various government entities and nonprofit
3 housing agencies. This mailer includes seals and marks owned by Treasury, HUD, and
4 the SEC. It directs recipients to call 855LAW5559, Defendants' toll-free number, which
5 it identifies as the "Homeowner's HELP Hotline," an ersatz version of the Homeowner's
6 HOPE Hotline, a nonprofit alliance recognized by Treasury and HUD. For example:



20 Thank you,
21 2012-Mortgage Relief Advisory
22 Main Office: **855 529 5559**

23 The Home Re-Structure Program was created to help millions of homeowners refinance or modify their mortgages. As part of this
24 program your new balance will be determined based on the appraised value of the property.

25 FREQUENTLY ASKED QUESTIONS

26 Get the answers you need to some of the most common questions.



To contact a housing counselor, call:
855LAW 5559
Homeowner's HELP Hotline

Office of the Comptroller of the Currency

Ensuring a Safe and Sound National Banking System for all Americans.

Independent Foreclosure Review For Fraud

NationalLegalHelp.com



To Find Out More Information about Asset-Backed Securities Please Visit SEC.GOV

Important Notice:

Your loan may be eligible for an Independent Foreclosure Review that may result in compensation or other remedy. Please respond by 12/31/12.

Foreclosure Grant Review: 855 529 5559

If you have more than one mortgage account that meets the initial criteria for an independent review, you will receive a separate notice for each. You will need to submit a separate Request for Review for each account.

34. One page of the direct mail solicitation lists the OCC in its header. The text below the header then falsely reads,

“The Bureau of Consumer Frauds and Protection, part of the Economic Justice Division, prosecutes businesses and individuals engaged in fraudulent, misleading, deceptive, or illegal trade practices . . . Your lender in [sic] under investigation by the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency . . . Our records indicate that you have been approved for \$10,000 in Grant Assistance.”

The bottom of this page falsely states, “This notice is being sent at the direction of federal bank regulators.”

35. Another page of Defendants’ direct mail solicitation states, beneath an MHA header, that consumers “may be able to make [their] payments more affordable,” that consumers will be able to “modify [their] mortgage payments,” and that Defendants have numerous “modification options.” The same page states that Defendants will stop a foreclosure sale.

36. Defendants’ direct mail solicitations fail to disclose in a clear and prominent manner that: (1) the consumer may stop doing business with the provider or reject an

offer of mortgage assistance without having to pay for the services; (2) Defendants' company is not associated with the government or approved by the government or the consumer's lender; and (3) even if the consumer uses Defendants' service, the consumer's lender may not agree to modify the loan.

Defendants' Deceptive Spam Solicitations

37. As part of their scheme, Defendants send unsolicited spam emails to financially distressed homeowners throughout the United States to convince consumers to call or email Defendants to inquire about Defendants' purported mortgage assistance relief services.

38. In numerous instances, Defendants' spam emails contain images and language, such as the logo of the MHA program, the OCC seal, references to HAMP, and references to the SEC and the Attorney General of California, that misrepresent an affiliation with government entities. They also include a toll-free phone number to call for help.

39. Defendants' spam solicitations come from misleading domain names, such as helpwithmybank.ws, makinghomeaffordable.ca, hampriskdepartment.org, and hud-guidelines.com.

40. Defendants' spam solicitations make such statements as:

- “HAMP REDUCTION PROGRAM TERMS WHEN YOUR [sic] APPROVED: New Rates start at 1.99% with FixTerms . . . Principle [sic] & Equity Reduction of Mortgage Loan . . . All Past Due Payments Forgiven (Due to the Errors, Violations and Damages on the mortgage contract.)” Defendants sent this spam solicitation from the email address equalhousing@hud-guidelines.com. It directs the recipient to visit www.hampriskdepartment.org or call (855) 529-5559.
- “The misrepresentations conducted by [your lender] was [sic] the main reason your application was approved for the NEW HAMP REDUCTION

PROGRAM.” Defendants sent this email from the email address underwritingreview@helpwithmybank.ws. It directs the recipient to call (855) 270-5421 or (855) LAW-5559.

- “After all Phases are timely completed and you have submitted all the required conditions, your mortgage will be permanently modified and the foreclosure process Stopped.” The email was sent from underwritingreview@helpwithmybank.ws. It directs the recipient to call (855) 270-5421 or (855) LAW-5559.
 - “U.S. Securities and Exchange Commission is reviewing your loan approval for the new modification reduction program.” Defendants sent this email from the email address approvals@makinghomeaffordable.ca. It directs the recipient to visit makinghomeaffordable.ca or call (855) 270-5421.

41. Defendants' spam solicitations fail to disclose in a clear and prominent manner that: (1) the consumer may stop doing business with the provider or reject an offer of mortgage assistance without having to pay for the services; (2) Defendants' company is not associated with the government or approved by the government or the consumer's lender; and (3) even if the consumer uses Defendants' service, the consumer's lender may not agree to modify the loan.

Defendants' Deceptive Sales Scheme

42. Consumers who respond to Defendants' marketing efforts have home mortgage loans and typically are having difficulty making their mortgage payments.

43. Consumers speak with Defendants' telephone sales representatives after entering their information on Defendants' websites, receiving outbound telemarketing calls, or calling the toll-free numbers listed on websites, spam emails, and direct mail.

44. In numerous instances, Defendants promise to obtain foreclosure relief or loan modifications for consumers that will make their mortgage payments substantially more affordable in exchange for an advance fee.

45. In numerous instances, Defendants represent that they are affiliated with a government entity.

46. In numerous instances, Defendants tell consumers that Defendants have special expertise in negotiating with mortgage lenders and that they have proven prior success in obtaining foreclosure relief or loan modifications.

47. In numerous instances, Defendants represent that consumers will obtain mortgage relief as a result of a “forensic audit” or “securitization report” provided by Defendants. In numerous instances, after promising to obtain foreclosure relief or loan modifications for consumers in exchange for an upfront fee, Defendants provide consumers with contracts in which they claim to charge a fee for the “forensic audit” or “securitization report” but not for the promised foreclosure relief or loan modification.

48. In numerous instances, Defendants claim that they can help consumers obtain mortgage relief within a certain period of time, *e.g.*, 90-120 days.

49. In numerous instances, Defendants claim that they can prevent foreclosures or that the modification process will stay lenders' ability to foreclose.

50. In numerous instances, Defendants discourage consumers from communicating directly with their lenders. Defendants tell consumers not to contact their lenders and claim Defendants will handle all communications with consumers' lenders.

51. In numerous instances, Defendants tell consumers that they need not make periodic mortgage payments once they start making payments to Defendants. In those instances, Defendants do not disclose that if consumers stop making mortgage payments they could lose their homes and damage their credit ratings.

52. In numerous instances, Defendants tell consumers that Defendants are a law firm that specializes in obtaining loan modifications and preventing foreclosure and that Defendants' lawyers will represent them. In numerous instances, Defendants represent to consumers that Defendant Jalan is a lawyer.

53. Defendants generally charge an upfront fee ranging from one thousand to several thousand dollars. Defendants typically tell consumers that they must make payments before Defendants will begin to provide any services.

54. After depositing consumers' checks, Defendants sometimes cause debits to be made from consumers' bank accounts without consumers' authorization or knowledge. Defendants generally cause these debits to be made by entering the account and routing numbers listed on consumers' paper checks into electronic check-writing software and issuing themselves an unauthorized check.

Defendants Do Not Obtain the Promised Mortgage Relief, Causing Consumer Injury

55. In numerous instances, after consumers pay Defendants' advance fees, Defendants fail to obtain foreclosure relief or mortgage loan modifications for consumers that make their payments substantially more affordable.

56. In numerous instances, after consumers pay Defendants' advance fees, Defendants fail to provide consumers with any meaningful mortgage assistance relief services.

57. In numerous instances, after consumers have paid Defendants' advance fees, Defendants fail to answer or return consumers' telephone calls and emails and fail to provide updates about the status of Defendants' purported communications with lenders. When consumers are able to reach Defendants, Defendants generally assure consumers that Defendants are working with the consumers' lenders.

58. In numerous instances, Defendants instruct consumers to stop paying their mortgage either in full or in part.

59. In numerous instances, consumers have paid more to Defendants than they anticipated because Defendants have caused unauthorized payments to be made from consumers' bank accounts.

60. In numerous instances, because they believe that Defendants are working on their cases, consumers postpone or forego seeking other relief that may be available to them, such as working directly with their lender, using a HUD-certified non-profit housing counselor, or entering foreclosure mediation.

61. In numerous instances, consumers who paid Defendants' fees suffer significant economic injury, including foreclosure and the loss of their homes.

Role of Individual Defendant Jalan

62. Defendant Jalan, acting individually or in concert with others, offers, provides, or arranges for others to provide mortgage assistance relief services.

63. Jalan is the President and CEO of NLHC. She has managerial responsibility for NLHC and materially participates in the conduct of its affairs, including the activities that form the basis for this Complaint.

64. Jalan regularly communicates directly with consumers, including making the misrepresentations alleged in this Complaint.

65. Jalan has personally registered or is listed as an owner of numerous fictitious business names used by Defendants to solicit consumers, including, inter alia, National Legal Help Center, NationalLegalHelp.com, National Legal Assistance, Legal Modification Firm CP, First Class Doc Prep, National Legal Help Center, National Legal Help Center EP, National Consumers Bank & Trust, First Class Doc Prep / NCHC, National Legal Help Center HB, Williams Law Center JW, and Williams Litigation Center / Cash Entertainment.

66. Jalan, most recently under the alias “Sarah Kim,” registered website domains used by Defendants to market their services, many of which use her fictitious business names. Jalan also pays for telephone numbers and outbound telemarketing software used to perpetrate the scheme, pays Defendants’ employees, pays rent, and pays other entities for information about potential customers. Jalan is also an authorized signatory for nearly all of Defendants’ bank accounts.

67. Jalan is not an attorney. Nevertheless, Defendants, including Jalan, have represented to consumers that Defendant Jalan is an attorney.

Role of Individual Defendant Nelsen

68. Defendant Nelsen, acting individually or in concert with others, offers, provides, or arranges for others to provide mortgage assistance relief services.

69. Nelsen is the Secretary and CFO of NLHC. He has managerial responsibility for NLHC and materially participates in the conduct of its affairs, including the activities that form the basis for this Complaint.

70. Nelsen regularly communicates directly with consumers, including making the misrepresentations alleged in this Complaint.

71. Nelsen has personally registered or is listed as an owner of numerous fictitious business names used by Defendants to solicit consumers, including First Class Doc Prep, National Consumers Help Center, NationalLegalHelp.com, National Legal Assistance, and Williams Litigation Center / Cash Entertainment.

72. Nelsen has paid for website domains used by Defendants to market their services, many of which use their fictitious business names. Nelsen also is an authorized signatory for most of Defendants' bank accounts.

VIOLATIONS OF THE CFPA

73. Sections 1031 and 1036(a)(1)(B) of the CFPA, 12 U.S.C. §§ 5531, 5536(a)(1)(B), prohibit covered persons or service providers from engaging “in any unfair, deceptive, or abusive act or practice.” Section 1036(a)(1)(A) also prohibits covered persons or service providers from “offer[ing] or provid[ing] to a consumer any financial product or service not in conformity with Federal consumer financial law, or otherwise commit any act or omission in violation of a Federal consumer financial law.” 12 U.S.C. § 5536(a)(1)(A). Section 1036(a)(3) further prohibits any person from “knowingly or recklessly provid[ing] substantial assistance to a covered person or service provider in violation of the provisions of section 1031 . . . and notwithstanding any

provision of [the CFPA], the provider of such substantial assistance shall be deemed to be in violation of that section to the same extent as the person to whom such assistance is provided.” 12 U.S.C. § 5536(a)(3).

74. Defendants are “covered person[s],” “related persons,” or “service provider[s]” within the meaning of the CFPA, 12 U.S.C. § 5481(6), (25), and (26).

COUNT I

75. In numerous instances, in connection with the offering or provision of mortgage assistance relief services, Defendants have represented, expressly or by implication, that they generally will obtain mortgage loan modifications for consumers that will make their payments substantially more affordable, or will help them avoid foreclosure.

76. In truth and in fact, Defendants generally do not obtain mortgage loan modifications for consumers that will make their payments substantially more affordable, and generally do not help them avoid foreclosure.

77. Therefore, Defendants' representation as set forth in Paragraph 75 is false and misleading and constitutes a deceptive act or practice in violation of Sections 1031 and 1036 of the CFPA, 12 U.S.C. §§ 5531, 5536.

COUNT II

78. In numerous instances, in connection with the offering or provision of mortgage assistance relief services, Defendants have represented, expressly or by implication, that Defendants are an agency of the United States government or are affiliated with, endorsed or approved by, or otherwise associated with the United States government.

79. In truth and in fact, Defendants are not an agency of the United States government or affiliated with, endorsed or approved by, or otherwise associated with the United States government.

80. Therefore, Defendants' representation as set forth in Paragraph 78 is false and misleading and constitutes a deceptive act or practice in violation of Sections 1031 and 1036 of the CFPA, 12 U.S.C. §§ 5531, 5536.

COUNT III

81. In numerous instances, in connection with the offering or provision of mortgage assistance relief services, Defendants have represented, expressly or by implication, that they generally will obtain loan modifications for consumers that will make their payments substantially more affordable, or will help them avoid foreclosure, within a certain period of time, *e.g.*, 90-120 days.

82. In truth and in fact, Defendants generally do not obtain loan modifications for consumers that will make their payments substantially more affordable, and generally do not help them avoid foreclosure, within a certain period of time, *e.g.*, 90-120 days.

83. Therefore, Defendants' representation as set forth in Paragraph 81 is false and misleading and constitutes a deceptive act or practice in violation of Sections 1031 and 1036 of the CFPA, 12 U.S.C. §§ 5531, 5536.

COUNT IV

84. In numerous instances, in connection with the offering or provision of mortgage assistance relief services, Defendants have represented, expressly or by implication, that as a result of a forensic audit provided by Defendants, they generally will obtain mortgage loan modifications for consumers that will make their payments substantially more affordable, or will help them avoid foreclosure.

85. In truth and in fact, Defendants generally do not obtain mortgage loan modifications for consumers that will make their payments substantially more affordable, and generally do not help them avoid foreclosure, as a result of a forensic audit provided by Defendants.

86. Therefore, Defendants' representation as set forth in Paragraph 84 is false and misleading and constitutes a deceptive act or practice in violation of Sections 1031 and 1036 of the CFPA, 12 U.S.C. §§ 5531, 5536.

COUNT V

87. In numerous instances, in connection with the offering or provision of mortgage assistance relief services, Defendants have represented, expressly or by implication, that Defendants are affiliated with, endorsed or approved by, or otherwise associated with a consumer's mortgage lender or servicer.

88. In truth and in fact, Defendants are not affiliated with, endorsed or approved by, or otherwise associated with a consumer's mortgage lender or servicer.

89. Therefore, Defendants' representation as set forth in Paragraph 87 is false and misleading and constitutes a deceptive act or practice in violation of Sections 1031 and 1036 of the CFPA, 12 U.S.C. §§ 5531, 5536.

COUNT VI

90. In numerous instances, in connection with the offering or provision of mortgage assistance relief services, Defendants have represented, expressly or by implication, that Defendants will provide or arrange for legal representation for consumers.

91. In truth and fact, Defendants do not provide or arrange for legal representation for consumers.

92. Therefore, Defendants' representation as set forth in Paragraph 90 is false and misleading and constitutes a deceptive act or practice in violation of Sections 1031 and 1036 of the CFPA, 12 U.S.C. §§ 5531, 5536.

COUNT VII

93. In numerous instances, Defendants have caused consumers' bank accounts to be debited without previously having obtained consumers' express informed consent.

94. Defendants' actions cause or are likely to cause substantial injury to consumers that consumers cannot reasonably avoid and that is not outweighed by countervailing benefits to consumers or competition.

95. Therefore, Defendants' practices as described in Paragraph 93 constitute unfair acts or practices in violation of Sections 1031 and 1036 of the CFPA, 12 U.S.C. §§ 5531, 5536.

REGULATION O

96. In 2009, Congress directed the Federal Trade Commission (“FTC”) to prescribe rules prohibiting unfair or deceptive acts or practices with respect to mortgage loans. 2009 Omnibus Appropriations Act, Pub. L. No. 111-8, § 626, 123 Stat. 524, 678 (Mar. 11, 2009), as clarified by the Credit Card Accountability Responsibility and Disclosure Act of 2009, Pub. L. No. 111-24, § 511, 123 Stat. 1734, 1763-64 (May 22, 2009). Pursuant to that direction, the FTC promulgated the MARS Rule, 16 C.F.R. Part 322, all but one provision of which became effective on December 29, 2010. The remaining provision, Section 322.5, became effective on January 31, 2011. Section 1097 of the CFPA, 12 U.S.C. § 5538, transferred rulemaking authority over the MARS Rule to the Bureau, which recodified the Rule as 12 C.F.R. Part 1015, and designated it “Regulation O.” The Bureau has authority to enforce Regulation O pursuant to CFPA § 1097 and § 1054, 12 U.S.C. §§ 5538, 5564.

97. Regulation O defines “mortgage assistance relief service” as “any service, plan, or program, offered or provided to the consumer in exchange for consideration, that is represented, expressly or by implication, to assist or attempt to assist the consumer with . . . [n]egotiating, obtaining, or arranging a modification of any term of a dwelling loan, including a reduction in the amount of interest, principal balance, monthly payments, or fees” 16 C.F.R. § 322.2(i)(2) (2010), recodified as 12 C.F.R. § 1015.2 (2011). This provision also encompasses “‘forensic audits’ and other services in which the provider purports to review, and identify potential errors in, loan documents or

1 documents sent by a consumer’s lender or servicer in order to avert foreclosure or obtain
2 concessions from the lender or servicer.” 75 Fed. Reg. at 75,100 n.110 (Dec. 1, 2010)
3 (discussion of Section 322.2 Definitions).

4 98. Regulation O defines “mortgage assistance relief service provider” as “any
5 person that provides, offers to provide, or arranges for others to provide, any mortgage
6 assistance relief service,” other than the dwelling loan holder, the servicer of a dwelling
7 loan, or any agent or contractor of such individual or entity. 16 C.F.R. § 322.2(j) (2010),
8 recodified as 12 C.F.R. § 1015.2 (2011).

9 99. Defendants are “mortgage assistance relief service provider[s]” engaged in
10 the provision of “mortgage assistance relief services” as those terms are defined in
11 Regulation O. 16 C.F.R. § 322.2(j) (2010), recodified as 12 C.F.R. § 1015.2 (2011).

12 100. Regulation O prohibits any mortgage assistance relief service provider from
13 requesting or receiving payment of any fee or other consideration until the consumer has
14 executed a written agreement between the consumer and the consumer’s loan holder or
15 servicer that incorporates the offer that the provider obtained from the loan holder or
16 servicer. 16 C.F.R. § 322.5(a) (2011), recodified as 12 C.F.R. § 1015.5(a) (2011).

17 101. Regulation O prohibits any mortgage assistance relief service provider from
18 representing, expressly or by implication, that a consumer cannot or should not contact or
19 communicate with his or her lender or servicer. 16 C.F.R. § 322.3(a) (2010), recodified
20 as 12 C.F.R. § 1015.3(a) (2011).

21 102. Regulation O prohibits any mortgage assistance relief service provider from
22 misrepresenting, expressly or by implication: (1) the likelihood of negotiating, obtaining,
23 or arranging any represented service or result; (2) the amount of time it will take the
24 mortgage assistance relief service provider to accomplish any represented service or
25 result; (3) that a mortgage assistance relief service provider is affiliated with, endorsed or
26 approved by, or otherwise associated with the United States government, any
27 governmental homeowner assistance plan, any federal, state, or local government agency,
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1 unit or department, any nonprofit housing counselor agency or program, or the maker,
2 holder, or servicer of the consumer's dwelling loan; or (4) the consumer's obligation to
3 make scheduled periodic payments pursuant to the terms of the consumer's dwelling
4 loan. Regulation O also prohibits any mortgage assistance relief service provider from
5 misrepresenting, expressly or by implication, that the consumer will receive legal
6 representation. 16 C.F.R. § 322.3(b)(1)-(4), (8) (2010), recodified as 12 C.F.R.
7 § 1015.3(b)(1)-(4), (8) (2011).

8 103. Regulation O prohibits any mortgage assistance relief service provider from
9 failing to place a statement in every general commercial communication disclosing that:
10 (1) the provider is not associated with the government and its service is not approved by
11 the government or the consumer's lender; and (2) in cases where the provider has
12 represented, expressly or by implication, that consumers will receive certain services or
13 results, a statement disclosing that the consumer's lender may not agree to modify a loan,
14 even if the consumer uses the provider's service. 16 C.F.R. § 322.4(a)(1)-(2) (2010),
15 recodified as 12 C.F.R. § 1015.4(a)(1)-(2) (2011).

16 104. Regulation O prohibits any mortgage assistance relief service provider from
17 failing to place a statement in every consumer-specific commercial communication: (1)
18 confirming that the consumer may stop doing business with the provider or reject an offer
19 of mortgage assistance without having to pay for the services; (2) disclosing that the
20 provider is not associated with the government and its service is not approved by the
21 government or the consumer's lender; and (3) in cases where the provider has
22 represented, expressly or by implication, that consumers will receive certain services or
23 results, disclosing that the consumer's lender may not agree to modify a loan, even if the
24 consumer uses the provider's service. 16 C.F.R. § 322.4(b)(1)-(3) (2010), recodified as
25 12 C.F.R. § 1015.4(b)(1)-(3) (2011).

26 105. Regulation O prohibits any mortgage assistance relief service provider, in
27 cases where the provider has represented that the consumer should temporarily or
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permanently discontinue payments on a dwelling loan, from failing to clearly and prominently state in close proximity to any such representation that the consumer could lose his or her home and damage his or her credit rating if the consumer stops paying the mortgage. 16 C.F.R. § 322.4(c) (2010), recodified as 12 C.F.R. § 1015.4(c) (2011).

106. Pursuant to § 1097 of the CFPA, 12 U.S.C. § 5538, a violation of Regulation O constitutes an unfair, deceptive, or abusive act or practice under the CFPA, in violation of Sections 1031 and 1036 of the CFPA, 12 U.S.C. §§ 5531, 5536.

VIOLATIONS OF REGULATION O

COUNT VIII

107. In numerous instances, since the effective dates of the MARS Rule, in the course of providing, offering to provide, or arranging for others to provide mortgage assistance relief services, Defendants have asked for or received payment before consumers have executed a written agreement between the consumer and the loan holder or servicer that incorporates the offer obtained by Defendants, in violation of Regulation O, 16 C.F.R. § 322.5(a) (2011), recodified as 12 C.F.R. § 1015.5(a) (2011).

COUNT IX

108. In numerous instances, since the effective dates of the MARS Rule, in the course of providing, offering to provide, or arranging for others to provide mortgage assistance relief services, Defendants have misrepresented, expressly or by implication, that a consumer should not contact or communicate with his or her lender or servicer, in violation of Regulation O, 16 C.F.R. § 322.3(a) (2010), recodified as 12 C.F.R. § 1015.3(a) (2011).

COUNT X

109. In numerous instances, since the effective dates of the MARS Rule, in the course of providing, offering to provide, or arranging for others to provide mortgage assistance relief services, Defendants have misrepresented, expressly or by implication, material aspects of their services, including, but not limited to:

- a. Defendants' likelihood of obtaining mortgage loan modifications for consumers that will make their payments substantially more affordable, in violation of Regulation O, 16 C.F.R. § 322.3(b)(1) (2010), recodified as 12 C.F.R. § 1015.3(b)(1) (2011);
- b. the amount of time it will take for Defendants to obtain mortgage loan modifications for consumers that will make their payments substantially more affordable, in violation of Regulation O, 16 C.F.R. § 322.3(b)(2) (2010), recodified as 12 C.F.R. § 1015.3(b)(2) (2011);
- c. Defendants' affiliation with, endorsement or approval by, or other association with the United States government, a governmental homeowner assistance plan, any Federal, State, or local governmental agency, unit, or department, or a nonprofit housing counselor agency or program, in violation of Regulation O, 16 C.F.R. § 322.3(b)(3)(i), (ii), (iii), and (iv) (2010), recodified as 12 C.F.R. § 1015.3(b)(3)(i), (ii), (iii), and (iv) (2011);
- d. Defendants' affiliation with, endorsement or approval by, or other association with the maker, holder, or servicer of the consumer's dwelling loan, in violation of Regulation O, 16 C.F.R. § 322.3(b)(3)(v) (2010), recodified as 12 C.F.R. § 1015.3(b)(3)(v) (2011); and
- e. that consumers will receive legal representation, in violation of Regulation O, 16 C.F.R. § 322.3(b)(8) (2010), recodified as 12 C.F.R. § 1015.3(b)(8) (2011).

COUNT XI

110. In numerous instances, since the effective dates of the MARS Rule, in the course of providing, offering to provide, or arranging for others to provide mortgage assistance relief services, Defendants:

- 1 a. have failed to make the following disclosures in all general commercial
2 communications –
3 i. “(Name of Company) is not associated with the government, and
4 our service is not approved by the government or your lender,” in
5 violation of Regulation O, 16 C.F.R. § 322.4(a)(1) (2010),
6 recodified as 12 C.F.R. § 1015.4(a)(1) (2011); and
7 ii. “Even if you accept this offer and use our service, your lender
8 may not agree to change your loan,” in violation of Regulation O,
9 16 C.F.R. § 322.4(a)(2) (2010), recodified as 12 C.F.R.
10 § 1015.4(a)(2) (2011);
11 b. have failed to make the following disclosures in all consumer-specific
12 commercial communications –
13 i. “You may stop doing business with us at any time. You may
14 accept or reject the offer of mortgage assistance we obtain from
15 your lender [or servicer]. If you reject the offer, you do not have
16 to pay us. If you accept the offer, you will have to pay us (insert
17 amount or method for calculating the amount) for our services,” in
18 violation of Regulation O, 16 C.F.R. § 322.4(b)(1) (2010),
19 recodified as 12 C.F.R. § 1015.4(b)(1) (2011);
20 ii. “(Name of company) is not associated with the government, and
21 our service is not approved by the government or your lender,” in
22 violation of Regulation O, 16 C.F.R. § 322.4(b)(2) (2010),
23 recodified as 12 C.F.R. § 1015.4(b)(2) (2011); and
24 iii. “Even if you accept this offer and use our service, your lender
25 may not agree to change your loan,” in violation of Regulation O,
26 16 C.F.R. § 322.4(b)(3) (2010), recodified as 12 C.F.R.
27 § 1015.4(b)(3) (2011); and

- c. have failed to make the following disclosure in all communications in cases where Defendants have represented, expressly or by implication, in connection with the advertising, marketing, promotion, offering for sale, sale, or performance of any mortgage assistance relief service, that the consumer should temporarily or permanently discontinue payments, in whole or in part, on a dwelling loan, clearly and prominently, and in close proximity to any such representation: “If you stop paying your mortgage, you could lose your home and damage your credit rating,” in violation of Regulation O, 16 C.F.R. § 322.4(c) (2010), recodified as 12 C.F.R. § 1015.4(c) (2011).

CONSUMER INJURY

111. Consumers have suffered and will continue to suffer substantial injury as a result of Defendants' violations of the CFPA and Regulation O. In addition, Defendants have been unjustly enriched as a result of their unlawful acts or practices. Absent injunctive relief by this Court, Defendants are likely to continue to injure consumers, reap unjust enrichment, and harm the public interest.

THIS COURT'S POWER TO GRANT RELIEF

112. The CFPA empowers this Court to grant any appropriate legal or equitable relief including, without limitation, a permanent or temporary injunction, rescission or reformation of contracts, the refund of moneys paid, restitution, disgorgement or compensation for unjust enrichment, and monetary relief, including but not limited to civil money penalties, to prevent and remedy any violation of any provision of law enforced by the Bureau. 12 U.S.C. §§ 5538(a); 5565(a), (c).

PRAYER FOR RELIEF

113. Wherefore, Plaintiff Consumer Financial Protection Bureau, pursuant to Sections 1054 and 1055 of the CFPA, 12 U.S.C. §§ 5564 and 5565, and the Court's own powers to grant legal or equitable relief, requests that the Court:

- 1 a. award Plaintiff such preliminary injunctive and ancillary relief as may
2 be necessary to avert the likelihood of consumer injury during the
3 pendency of this action, and to preserve the possibility of effective final
4 relief, including but not limited to a temporary restraining order, a
5 preliminary injunction, an order freezing assets, immediate access, and
6 appointment of a receiver;
7 b. enter a permanent injunction to prevent future violations of the CFPA
8 and Regulation O by Defendants;
9 c. award such relief as the Court finds necessary to redress injury to
10 consumers resulting from Defendants' violations of the CFPA and
11 Regulation O, including but not limited to rescission or reformation of
12 contracts, the refund of moneys paid, restitution, and disgorgement or
13 compensation for unjust enrichment;
14 d. award Plaintiff civil money penalties; and
15 e. award Plaintiff the costs of bringing this action, as well as such other
16 and additional relief as the Court may determine to be just and proper.

17
18 Dated: December 3, 2012

Respectfully submitted,

19
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