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FOR IMMEDIATE RELEASE

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## Terry Goddard Announces National Crackdown on Mortgage Fraud

(Phoenix, Ariz. – July 15, 2009) Attorney General Terry Goddard today announced ‘Operation Loan Lies,’ a national crackdown involving over 180 law enforcement actions against deceptive mortgage foreclosure rescue and loan modification operations. Goddard was joined in today’s announcement by the U.S. Federal Trade Commission (FTC), U.S. Department of Justice and 18 state Attorneys General and District Attorneys from across the nation.

For the past year, Goddard’s office has been aggressively investigating and litigating deceptive and fraudulent practices in mortgage rescues and loan modifications.

“Too often, those who claim to offer help to homeowners modify their loans are wolves in sheep’s clothing – con-men looking to collect thousands in upfront fees but doing little to help families struggling with job losses or medical crises stay in their homes,” Goddard said. “I commend our federal and state partners in this operation for joining the effort to stop deceptive practices against homeowners and put scammers out of business.”

Goddard also praised the signing into state law of House Bill 2143, which will require businesses and individuals offering loan modification services to be licensed through the Arizona Department of Financial Institutions. “Licensing loan modifiers gives homeowners needed protections in the marketplace and greatly improves my office’s ability to pursue those who seek to defraud vulnerable homeowners,” Goddard said.

Within the last month, Attorney General Goddard has initiated the following actions to protect Arizona consumers against fraudulent individuals and businesses:

- **Arizona Investments.** The Attorney General’s Office filed a complaint in June alleging that Arizona Investments, doing business as AZI Rent to Own, defrauded novice real estate investors, lenders and rent-to-own homebuyers in three separate schemes.
- **Hope for Homeowners Now, LLC.** Goddard filed a complaint yesterday alleging that the company solicited an upfront fee of \$3,195 from homeowners by discouraging them from trying to obtain loan modifications on their own or with the help of a non-profit organization, even though the company’s success rate was no better than that of its clients who previously tried to obtain loan modifications of their own. The complaint also alleges that Hope for Homeowners Now misrepresented that it was comprised of real estate and financial professionals and that professional mitigation attorneys negotiate on

behalf of their clients. In addition, the complaint alleges violations of the Arizona Credit Services Act.

- **Loan Modification of America, LLC (LMOA).** The Attorney General filed a complaint yesterday alleging that LMOA falsely advertised a 90 percent success rate in obtaining loan modifications and misrepresented its “100% money back guarantee” to consumers. According to the complaint, LMOA misrepresented that the U.S. Department of Housing and Urban Development (HUD) cannot help distressed borrowers, when, in fact, the HUD website refers consumers to non-profit, HUD-approved counseling agencies that provide loan modification services similar to those provided by LMOA. While the HUD-approved counseling agencies provide the service for free, LMOA allegedly charged up to \$3,995. The complaint alleges violations of the Arizona Credit Services Act as well.
- **Loan Modification Professional Services.** The Attorney General's Office received eight complaints from consumers who claimed that they paid between \$1,500 and \$3,500 to Loan Modification Professional Services for services they never received. Goddard issued a Civil Investigative Demand, and when the company refused to produce the requested documents, he filed Petition to Enforce the Civil Investigative Demand in Maricopa County Superior Court.
- **Santoya Financial Company, LLC.** On July 13, Goddard filed a complaint alleging that Santoya Financial Company falsely advertised its services as being endorsed and approved by the U.S. Department of Housing and Urban Development (HUD). The complaint also alleges that Santoya Financial Company represented to consumers that its fictitious HUD endorsement guaranteed their fees were refundable if the loan modification could not be completed.

In addition, over the past year-and-a-half, the Attorney General's Office has taken the following actions against alleged civil and criminal mortgage fraud in Arizona:

- **Countrywide Financial Corporation.** Arizona was part of a five-state working group that negotiated a settlement with Bank of America regarding consumer fraud allegations against Countrywide Financial Corporation in October 2008. The Attorney General's Office obtained more than \$4 million from the settlement, which will be used to mitigate the effects of the foreclosure crisis and for consumer restitution.
- **Harvest Properties.** A settlement in September 2008 resolved allegations that Harvest Properties engaged in a foreclosure and credit rescue scheme that employed deceptive practices to buy foreclosed homes at discounted prices and that the defendants misled or concealed significant facts from consumers and banks. Goddard recovered \$350,000 for 100 consumers who were victims of the scheme.
- **Bobby John Herrera.** In April 2009, Herrera pled guilty to allegations that he solicited struggling homeowners with fraudulent claims that he could modify mortgage terms or provide other assistance to help prevent foreclosure. He charged victims upfront fees of \$1,245 and did not provide the negotiation services he promised.
- **Peter Hou.** A Consent Judgment in March 2009 resolved allegations that Hou and his business associates defrauded homeowners when claiming to refinance their loans. According to court documents, Hou misled consumers into believing that they needed to sign powers of attorney, deeds, and other documents to process a new loan. Allegedly, many of these documents had blank spaces that Hou later filled in and used, along with other forged documents, to transfer property from consumers to Hou without the homeowner's knowledge or consent.
- **Virtual Realty Funding Company.** A judgment granted to the Attorney General in May 2008 resolved allegations that Virtual Realty Funding Company and its sales

representatives led homeowners to believe that the company could help save their homes when, in fact, the transactions offered by the company were structured so that homeowners transferred title to Virtual Realty. The Court ordered Virtual Realty and its owner to pay \$1.2 million in civil penalties and consumer restitution.

- **Kimberly Werking and Jeffery Sayegh.** Werking and Sayegh were indicted in September 2008 on charges that they participated in an equity “skimming” operation in which Werking, a licensed Arizona realtor, and Sayegh, a loan officer, collaborated to obtain fraudulent bank mortgages for Werking on five properties in North Scottsdale. The indictment alleges that Werking “skimmed” over \$1 million in equity from the homes through the refinancing process, and, once no more money could be pulled out of the properties, allowed them to go into foreclosure.
- **Richard Winer; Taken Care of Investments, LLC; Homeowner Solutions, LLC.** Goddard filed a complaint in March 2009 alleging that Richard Winer and his businesses targeted hundreds of homeowners in danger of foreclosure and promised to let them keep their homes by obtaining the deed and leasing the home back to them. Winer then sold the homes to investors, who generally evicted the homeowners and refinanced the mortgage.

Along with the above actions, Goddard recently sent notices to more than a dozen loan modification companies regarding their obligation to avoid deceptive advertising under the Arizona Consumer Fraud Act and to comply with the Arizona Credit Services Act. These notices are meant to ensure compliance with Arizona law and do not allege wrongdoing by the recipients.

Goddard recommends that homeowners facing foreclosure avoid anyone who guarantees successful loan modifications and anyone who advises them to stop making mortgage payments or to stop communicating with their mortgage lender.

“There is legitimate help available at no cost for homeowners,” he said. “I encourage anyone facing foreclosure to talk to a HUD-approved, non-profit counseling agency.”

Goddard also encourages consumers at risk of foreclosure to view the Arizona Foreclosure Prevention Workbook. The Arizona Foreclosure Prevention Task Force has developed this workbook to guide families through different options and scenarios to prepare for meeting with lenders or certified counselors at a HUD-approved agency. The workbook is available free to consumers facing foreclosure or who feel that may be at risk of missing a mortgage payment. To download the workbook, visit the Attorney General’s Web site at [www.azag.gov](http://www.azag.gov).

For information on foreclosure assistance, Arizona consumers also can call the Arizona Foreclosure Prevention Helpline at 1.877.448.1211.

If you believe you have been a victim of consumer fraud, please contact the Attorney General’s Office in Phoenix at 602.542.5763, in Tucson at 520.628.6504 or outside the Phoenix and Tucson metro areas at 1.800.352.8431. An online complaint form is also posted on the Attorney General’s Web site, [www.azag.gov](http://www.azag.gov). To file a consumer complaint in person, the Attorney General’s Office has satellite offices throughout Arizona with volunteers available to help. Locations and hours are posted on the Attorney General’s Web site. You may also report home loan modification scams to the Federal Trade Commission at [www.FTC.gov](http://www.FTC.gov) or by calling 1.877.FTC.HELP.

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