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Suits Claim Loan Scams

By **ROBBIE WHELAN**

Shortly after her home in East Elmhurst, Queens, went into foreclosure proceedings in September 2009, Haydee Campos received a mail flyer from a company called SOS Consulting, offering her help in getting her mortgage terms modified to avoid losing her property.

Ms. Campos, an unemployed bank customer-service representative, met in Brooklyn with SOS founder Jorge Oswaldo Cruz, who told her if she paid the company \$1,250, he would help her obtain a mortgage modification.



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Ken Maldonado for The Wall Street Journal

The home of Haydee Campos in East Elmhurst, Queens. She is suing to recover mortgage-modification fees.

A year and a half later, Ms. Campos's home is still in foreclosure proceedings. Through a nonprofit housing counselor, Ms. Campos obtained a trial modification through a federal program, and is trying not to miss payments.

On Tuesday, she sued SOS and Mr. Cruz in small claims court to recoup the \$1,250 in fees she paid seeking the mortgage modification.

"They make you a lot of promises but in the end you don't get anything," she said of loan-modification companies.

Mr. Cruz said he stopped trying to get a loan modification on behalf of Ms. Campos at her request. He said he wants to give her back the money she paid, but hasn't been able to contact

her.

Lawyers working pro bono for borrowers facing foreclosures say loan-modification "specialists" are pretending they can convince banks to accept lower monthly mortgage payments in return for fees from the borrowers. Foreclosed homeowners, whose cases are entered into public records, have become a prime target for loan modification cons, they say.

On Wednesday, the Lawyers' Committee for Civil Rights Under Law, along with Manhattan law firm Davis Polk & Wardwell LLP filed a lawsuit in state Supreme Court in Nassau County seeking to thwart people they claim are loan-modification scammers.

"While there are some very strong laws governing loan modifications, especially with the upfront fees, homeowners still believe that things will be easier if they pay a few thousand dollars to a loan mod company," said Eunice Hyon Min Rho, a lawyer with the committee.

The complaint names as defendants several companies it said operated out of the same cluster of offices in a building on Stewart Avenue in Garden City, N.Y. None of the companies could be reached to comment.

These companies, the suit claims, lure vulnerable homeowners into believing that they can get lower payments, charge them hundreds or even thousands of dollars in fees and "fail to perform even the most basic promised services or achieve any significant results."

In New York, it is illegal under a 2008 statute for "distressed property consultants" to charge an up-front fee for help in getting a loan modification. Since February 2010, when the Lawyer's Committee began keeping track of modification fraud complaints, more than 10,000 homeowners nationwide have claimed they were victims of similar scams resulting in more than \$27 million in losses. About 500 of those complaints are from New York,

which the claimants said resulted in more than \$2 million in losses.

The New York attorney general's office has been investigating loan modification scams since 2009. In March 2010, the office obtained an \$8.8 million judgment against Infinity Mitigation Services, a loan consultant, and obtained a court order to shut down the company.

Nationally, loan modification schemes have been a persistent problem since the housing crash. In 2009, the Justice Department, the Department of Housing and Urban Development and the Federal Trade Commission launched a multi-agency effort to fight mortgage fraud and foreclosure-rescue scams.

The Justice Department charged more than 1,200 defendants in mortgage-fraud cases in 2010.

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