FACT SHEET

Bates et al. v. William D. Goodrich, Attorney, Inc. et al.

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All statements below are allegations provided by the plaintiffs. None of these allegations have been proven yet.

ABOUT Bates et al. v. William D. Goodrich, Attorney, Inc. et al.

Fourteen homeowners from 10 states filed a lawsuit against a network of loan modification companies based in Orange County, California, as well as their owners and chief employees, asserting several causes of action arising out of the companies' loan modification activities including those for breach of contract, fraud, attorney malpractice, and violations of various California and New York consumer protection statutes. The lawsuit alleges that the defendants operated a fraudulent scheme in which they lured homeowners in need of mortgage assistance with false promises of guaranteed mortgage loan modifications often backed by money-back guarantees, and then failed to deliver on those promises after collecting thousands of dollars in upfront fees and monthly membership/installment payments from the homeowners or provide a refund. The plaintiffs now seek monetary and injunctive relief against the defendants for their damages caused by the Defendants' loan modification scams. The Lawyers' Committee for Civil Rights Under Law and Cooley LLP are representing the plaintiffs free of charge.

ABOUT THE PLAINTIFFS

The plaintiffs in Bates et al. v. William D. Goodrich, Attorney, Inc., et al. include:

Mr. Leslie Bates & Mrs. Elizabeth Bates (Hamilton, Missouri)* (¶¶ 129-39)*:

- Mr and Mrs. Bates are a married couple. Mr. Bates is a mechanic, and Mrs. Bates is a hospital worker.
- The Bateses purchased their home in August 2008 with a mortgage that is serviced by Bank of America.
- In 2011, Mr. Bates was forced to go on disability for 6 months due to a shoulder injury, while Mrs. Bates has been unable to work because she has been battling breast cancer. These two events led to

a substantial reduction in the couple's income. Nonetheless, the Bateses remained current on their mortgage payments.

- In May 2011, the Bateses received an unsolicited phone call from a representative for defendant Apex Members, LLC ("Apex"). The representative indicated that Apex was a subsidiary of Defendant William D. Goodrich, Attorney, Inc. ("Goodrich Law"), and that defendant William D. Goodrich was the attorney for Apex.
- The Apex representative told the Bateses that Bank of America had referred their names to Apex and had told Apex that they would be interested in a loan modification.
- The Apex representative also told them that Apex and Goodrich Law had helped many people obtain lower interest rates and mortgage payments and could do the same for them. She guaranteed that Apex and Goodrich Law would obtain a loan modification with an interest rate below 4%, down from their current rate of 8-9%. The representative further indicated that Apex and Goodrich Law were affiliated with the "Obama Plan."
- The Apex representative also advised the Bateses not to contact Bank of America and to stop making mortgage payments. They were skeptical of this advice, however, and did not stop making their monthly mortgage payments.
- Based on these statements, the Bateses decided to hire Apex and Goodrich Law and authorized automatic payments of $740 upfront followed by monthly payments of $250 for 9 months, for a total of $2,990.
- Shortly thereafter, however, the Bateses realized they had been scammed and tried to stop payment on the $740 upfront fee, but the payment had already gone through. Mr. Bates sought a refund, but none was ever provided. As a result of losing the $740 upfront fee, the Bateses struggled to make their mortgage payments and fell behind on their mortgage.
- Mr. Bates reached out to Bank of America, which indicated that no one from Goodrich Law or Apex had ever contacted it and which advised him that he had likely been the victim of a scam.
- Luckily, Mr. and Mrs. Bates were able to negotiate a loan modification with Bank of America on their own.

Mr. Vernon Bredeson & Mrs. Kathy Bredeson (Dalton, Georgia)* (¶¶ 49-57)*:

- Mr. and Mrs. Bredeson are a married couple.
- Mr. Bredeson, who has been disabled since 2006 and suffers from a severe heart condition and hip problems, and Mrs. Bredeson, who is employed as a machine operator in a carpet mill, have two mortgages on their home.
- In or about January 2011, the Bredesons saw a television advertisement for Goodrich Law inviting viewers who needed help with their mortgage to call the firm. The Bredesons then called the number from the advertisement and spoke with a Goodrich Law representative in New York.
- The representative told the Bredesons that Goodrich Law could help them and could probably reduce their payments on their first loan by $200 and on the second loan by $100. He also informed them that Goodrich Law had "never lost a case."
- Based on these representations, the Bredesons decided to hire Goodrich Law. On or about February 7, 2011, the Bredesons signed a contract for loan modification services with Goodrich Law. The Bredesons paid an upfront fee of $250, and the remainder of the amount due was deducted from their bank account in monthly installments over approximately eight months. All told, they paid at least $2,232 to Goodrich Law.
- At the time of their initial interactions with Goodrich Law, the Bredesons were current on their mortgage payments. When the Goodrich Law representative learned this fact, he instructed them to "get behind." Following this advice, the Bredesons stopped making mortgage payments for two months. Mr. Bredeson was in the hospital when they received a notice from the bank informing them that if they got three months behind, the bank would foreclose on their property. The Bredesons started making payments again but were never able to catch up and have been paying late fees for many months.

- The Bredesons' case file was quickly transferred from New York to affiliated Apex in California. The Bredesons' primary contact at Apex was Jim Atkins, their "assigned negotiator."
- Apex representatives told the Bredesons not to contact their bank, as Apex would be handling everything. Nevertheless, every time Mr. Bredeson contacted Apex, Apex was unable to give him answers about the progress of his loan modification. His calls frequently went unanswered and unreturned.
- Neither Goodrich Law nor Apex obtained a loan modification for the Bredesons.

ABOUT THE LEGAL CLAIMS

The plaintiffs are seeking monetary damages as well as injunctive relief against the defendants, asserting that without judicial intervention preventing the defendants from engaging in further scams, other homeowners will be at risk of losing thousands of dollars in illegal upfront fees and monthly membership/installment payments, will suffer other financial penalties, and will be at an increased risk of facing foreclosure proceedings. The complaint also alleges various causes of action including:

- Violation of the California Business & Professionals Code § 17200, *et seq*. ("Unfair Competition Law") and § 17500, *et seq*. ("False Advertisement"): The defendants are alleged to have made numerous false promises and misrepresentations to the plaintiffs in violation of the Unfair Competition Law, including misrepresenting the nature and quality of their loan modification services, misrepresenting the progress of the plaintiffs' loan modification applications, and encouraging the plaintiffs to stop paying their monthly mortgage payments and/or stop communicating with their lenders/servicers. Defendants also falsely advertised their services, which plaintiffs relied on to their detriment. (¶¶ 211-32)
- Breach of Contract: The defendants are alleged to have breached their oral and written contracts with the plaintiffs by failing to perform the services they promised the plaintiffs, and/or failing to refund thousands of dollars in upfront fees and monthly membership/installment payments obtained from the plaintiffs. (¶¶ 192-96)
- Fraud: The defendants' intentional and/or negligent false representations also constituted fraud. For example, the defendants fraudulently concealed the progress of plaintiffs' loan modification applications and then abandoned several plaintiffs after receiving their upfront fees. Defendants then refused to refund plaintiffs' fees, despite the fact that plaintiffs never received any legal services and/or their "guaranteed" modification. (¶¶ 204-10)
- Violation of California Civil Code § 3345 ("Unfair and Deceptive Practices Against Disabled Persons"): As to plaintiffs who were disabled at the time of their interactions with defendants, defendants' conduct constituted a violation of Civil Code § 3345. Defendants conducted unfair and deceptive business practices against disabled persons when they accepted up-front fees for loan modification services they guaranteed but never performed and when they refused to refund payments those plaintiffs had made. This class of plaintiffs was especially vulnerable because of their poor health, impaired understanding, and restricted mobility or disability, and they actually suffered substantial physical, emotional and economic damage resulting from defendants' conduct. (¶¶ 233-40)
- Violation of Various New York Laws: As a portion of defendants' operations were conducted out of offices in New York, plaintiffs also allege violation of New York state laws, including N.Y. General Business Law §349, *et seq.* ("Deceptive Practices Act") and § 350, *et seq.* ("False Advertising"), N.Y. Real Property Law § 265-b (regulation of "distressed property consultants"), and N.Y. Banking Law § 590 (requiring persons in the business of negotiating mortgage loans to register as "mortgage brokers," which none of defendants have done). (¶¶ 245-80)
- Attorney Malpractice: To the extent that defendants provided legal services, defendants also committed attorney malpractice by, for example, encouraging plaintiffs to stop making monthly mortgage payments, failing to inform plaintiffs that they did not meet basic requirements for

obtaining a mortgage modification, neglecting to return phone calls and to respond to other communications from plaintiffs, and requiring that plaintiffs make up-front payments in violation of state and federal law. (¶¶ 241-44)