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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Federal Trade Commission,

Plaintiff,

v.

Sameer Lakhany,
an individual;

The Credit Shop, LLC,
a limited liability company;

Fidelity Legal Services LLC,
a limited liability company;

Titanium Realty, Inc.;
a corporation,

SACV12-00337-CJC (JPR)

Case No. _____

**FIRST AMENDED
COMPLAINT FOR
PERMANENT INJUNCTION
AND OTHER EQUITABLE
RELIEF**

2012 MAR 22 PM 4:05
CLERK OF DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
BY _____

FILED

ORIGINAL

BY FAX

1 **Precision Law Center, Inc.,**)
a corporation;)
2 **Precision Law Center LLC,**)
a limited liability company;)
3 **Brian Pacios,**)
an individual;)
4 **Assurity Law Group, Inc.,**)
a corporation; and)
5 **National Legal Network, Inc.,**)
a corporation,)
6 **Defendants.**)
7
8
9

10 Plaintiff, the Federal Trade Commission (“FTC”), for its first amended
11 complaint alleges:

12 1. The FTC brings this action under Sections 13(b) and 19 of the
13 Federal Trade Commission Act (“FTC Act”), 15 U.S.C. §§ 53(b) and 57b, and
14 the 2009 Omnibus Appropriations Act, Public Law 111-8, Section 626, 123 Stat.
15 524, 678 (Mar. 11, 2009) (“Omnibus Act”), as clarified by the Credit Card
16 Accountability Responsibility and Disclosure Act of 2009, Public Law 111-24,
17 Section 511, 123 Stat. 1734, 1763-64 (May 22, 2009) (“Credit Card Act”), and
18 amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act,
19 Public Law 111-203, Section 1097, 124 Stat. 1376, 2102-03 (July 21, 2010)
20 (“Dodd-Frank Act”), 12 U.S.C. § 5538, to obtain temporary, preliminary, and
21 permanent injunctive relief, rescission or reformation of contracts, restitution, the
22 refund of monies paid, disgorgement of ill-gotten monies, and other equitable
23 relief for Defendants’ acts or practices in violation of Section 5(a) of the FTC
24 Act, 15 U.S.C. § 45(a), and the Mortgage Assistance Relief Services Rule, 16
25 C.F.R. Part 322 (“MARS Rule”), recodified as Mortgage Assistance Relief
26 Services (Regulation O), 12 C.F.R. Part 1015 (“Regulation O”), in connection
27 with the marketing and sale of Mortgage Assistance Relief Services (“MARS”).
28

1 refund of monies paid, and the disgorgement of ill-gotten monies. 15 U.S.C.
2 §§ 53(b), 56(a)(2)(A)-(B), and 57b; and § 626, 123 Stat. at 678, as clarified by
3 § 511, 123 Stat. at 1763-64 and amended by § 1097, 124 Stat. at 2102-03,
4 12 U.S.C. § 5538.

5 DEFENDANTS

6 6. Defendant Sameer (a.k.a. "Sammy") Lakhany ("Lakhany") is an
7 individual who, acting alone or in concert with others, and through his
8 interrelated companies described below, has operated and continues to operate
9 businesses that offer to provide or provide MARS, as defined in 16 C.F.R.
10 § 322.2, recodified as 12 C.F.R. § 1015.2, including but not limited to loan
11 modifications and foreclosure relief. These businesses include, but are not
12 limited to, FreeFedLoanMod.org, HouseHoldRelief.org, MyHomeSupport.org,
13 and Precision Law Center. At times material to this first amended complaint,
14 acting alone or in concert with others, Defendant Lakhany has formulated,
15 directed, controlled, had the authority to control, or participated in the acts and
16 practices set forth in this first amended complaint. In connection with the matters
17 alleged herein, Lakhany transacts or has transacted business in this District and
18 throughout the United States.

19 7. Defendant The Credit Shop, LLC ("Credit Shop") is a California
20 limited liability company owned, directed and/or controlled by Lakhany with a
21 last known business address at 655 S. Main Street, Suite 200-127, Orange, CA
22 92868, which is a mail drop box. At times material to this first amended
23 complaint, Credit Shop has transacted business in the Central District of
24 California. Credit Shop, among other things, owns the fictitious business name
25 HouseHoldRelief.org.

26 8. Defendant Fidelity Legal Services LLC (a.k.a. "Fidelity Legal
27 Services Network LLC") ("Fidelity Legal") is a California limited liability
28 company owned, directed and/or controlled by Lakhany, alone or in concert with

1 others, with a last known business address at 655 S. Main Street, Suite 200-161,
2 Orange, CA 92868, which is a mail drop box. At times material to this first
3 amended complaint, Fidelity Legal has transacted business in the Central District
4 of California. Fidelity Legal, among other things, has maintained the websites
5 and toll-free telephone numbers used by Defendants in furtherance of the acts and
6 practices described herein.

7 9. Defendant Titanium Realty, Inc. ("Titanium Realty") is a suspended
8 California corporation owned, directed and/or controlled by Lakhany with a last
9 known business address at 2300 E. Katella Avenue, Suite 450, Anaheim, CA
10 92806. At times material to this first amended complaint, Titanium Realty has
11 transacted business in the Central District of California. Titanium Realty has
12 maintained a bank account into which numerous consumers' payments for loan
13 modification services were deposited and out of which the salaries of Defendants'
14 employees were paid.

15 10. Defendant Precision Law Center, Inc., also doing business as
16 Precision Law Center, is a California corporation owned, directed and/or
17 controlled by Lakhany with a last known business address at 6 Hutton Center
18 Drive, Suite 600, South Coast Metro, CA 92707. At times material to this first
19 amended complaint, Precision Law Center, Inc. has transacted business in the
20 Central District of California. Precision Law Center, among other things, is a
21 specious law firm purporting to offer mortgage relief services to consumers by
22 representing them in litigation against their lenders.

23 11. Defendant Precision Law Center LLC, also doing business as
24 Precision Law Center, is a California limited liability company owned, directed
25 and/or controlled by Lakhany with a last known business address at 6 Hutton
26 Center Drive, Suite 600, South Coast Metro, CA 92707. At times material to this
27 first amended complaint, Precision Law Center, LLC has transacted business in
28 the Central District of California. Precision Law Center, among other things, is a

1 specious law firm purporting to offer mortgage relief services to consumers by
2 representing them in litigation against their lenders.

3 12. Defendant Brian Pacios (“Pacios”) is an individual who, acting
4 alone or in concert with others, and through companies he controls or has
5 authority to control, has operated and continues to operate companies that offer to
6 provide or provide MARS, as defined in 16 C.F.R. § 322.2, recodified as 12
7 C.F.R. § 1015.2, including but not limited to loan modifications and foreclosure
8 relief. These businesses include, but are not limited to, Precision Law Center,
9 Assurity Law Group, Inc., and National Legal Network, Inc. At times material to
10 this first amended complaint, acting alone or in concert with others, Defendant
11 Pacios has formulated, directed, controlled, had the authority to control, or
12 participated in the acts and practices set forth in this first amended complaint. In
13 connection with the matters alleged herein, Pacios transacts or has transacted
14 business in this District and throughout the United States.

15 13. Defendant Assurity Law Group, Inc. (“Assurity Law”), is a
16 California corporation directed and/or controlled by Pacios, with a last known
17 business address of 3240 El Camino Real, Suite 200 in Irvine, California. At
18 times material to this first amended complaint, Assurity Law has transacted
19 business in the Central District of California. Assurity Law, among other things,
20 has participated in the operations of the specious law firm Precision Law Center,
21 which purports to offer mortgage relief services to consumers by representing
22 them in litigation against their lenders. Numerous consumers were instructed to
23 make payments to Precision Law Center and Assurity Law.

24 14. Defendant National Legal Network, Inc. (“NLN”) is a California
25 corporation with a last known business address of 8 Corporate Park, Suite 300 in
26 Irvine, California, which is a virtual office space. Pacios is NLN’s President and
27 only identified corporate officer. NLN funded some of the operations of the
28 specious law firm Precision Law Center, which purports to offer mortgage relief

1 services to consumers by representing them in litigation against their lenders.

2 15. At times material to this first amended complaint, Credit Shop,
3 Fidelity Legal, Titanium Realty, Precision Law Center, Inc., Precision Law
4 Center LLC, Assurity Law, and NLN (collectively, "Corporate Defendants")
5 have operated as a common enterprise while engaging in the deceptive acts and
6 practices set forth below. Defendants have conducted the business practices
7 described below through an interrelated network of companies that have common
8 ownership, business functions, employees, and office locations; that have
9 commingled funds; and that have shared one another's marketing materials.
10 Because these Corporate Defendants have operated as a common enterprise, each
11 of them is jointly and severally liable for the acts and practices alleged below.
12 Defendant Lakhany has formulated, directed, controlled, had the authority to
13 control, or participated in the acts and practices of one or more of the Corporate
14 Defendants that constitute the common enterprise. Defendant Pacios has
15 formulated, directed, controlled, had the authority to control, or participated in
16 the acts and practices of one or more of the Corporate Defendants that constitute
17 the common enterprise.

18 COMMERCE

19 16. At all times relevant to this first amended complaint, Defendants
20 have maintained a substantial course of trade in or affecting commerce, as
21 "commerce" is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

22 SUMMARY OF FIRST AMENDED COMPLAINT

23 17. Defendants employ two related scams that prey on financially
24 distressed homeowners by deceptively promising substantial relief from
25 unaffordable mortgages and foreclosure. In the first scam, Defendants Lakhany,
26 Credit Shop, Fidelity Legal, and Titanium Realty (collectively, "Audit
27 Defendants") deceptively lure consumers by claiming to be non-profit
28 organizations that provide free loan modification and foreclosure relief services.

1 After gaining consumers' confidence, Audit Defendants persuade consumers to
2 spend typically between \$795 and \$1595 on a forensic loan audit that purportedly
3 will guarantee or virtually guarantee a loan modification. Audit Defendants
4 promise that the forensic loan audit will force consumers' lenders to agree to a
5 loan modification. In reality, in numerous instances, Audit Defendants fail to
6 obtain any relief for consumers, and the purported loan audit does little or
7 nothing to assist consumers.

8 18. In the second, related scam, Defendants Lakhany, Pacios, Precision
9 Law Center, Inc., Precision Law Center LLC, Assurity Law, and NLN
10 (collectively, "Mass Joinder Defendants") operated a common enterprise in
11 connection with the specious law firm Precision Law Center. Defendants
12 Lakhany, Pacios, Precision Law Center, Inc., and Precision Law Center LLC
13 offer to sell or have sold consumers the services of their purportedly specialized
14 law firm and have marketed the firm by targeted direct mail, as well as by
15 targeting consumers who did not receive a loan modification after hiring Audit
16 Defendants in the initial scam. From at least February 2011 to at least September
17 2011, Defendant Pacios controlled Precision Law Center's operations that were
18 run out of an office on El Camino Real in Irvine, California. During that same
19 period, Precision Law Center, Assurity Law, and NLN shared office space and
20 employees; consumers were instructed to make payments out to Precision Law
21 Center/Assurity Law Group; NLN funds were used to operate the Irvine Precision
22 Law Center location; and funds were transferred between Precision Law Center
23 and NLN accounts. For a fee of typically between \$6000 and \$10,000, the firm
24 promises to obtain favorable concessions and stop foreclosure by suing
25 consumers' lenders. The firm, however, is a sham. It is owned by non-lawyer
26 Lakhany and fails to employ attorneys licensed as appropriate in the
27 homeowners' state or otherwise to zealously prosecute consumers' cases.
28 Indeed, in every case filed by Precision Law Center of which the FTC is aware,

1 Precision Law Center has done nothing beyond filing the complaint, resulting in
2 the dismissal of most of the cases and pending orders to show cause in the
3 remainder.

4 DEFENDANTS' BUSINESS PRACTICES

5 19. Since at least late 2009, Defendants have engaged in a course of
6 conduct to advertise, market, offer to sell, and sell to homeowners MARS,
7 including but not limited to mortgage loan modification and foreclosure relief
8 services.

9 20. Defendants have marketed their services to homeowners who are in
10 financial distress, behind on their mortgage loans, or in danger of losing their
11 homes to foreclosure.

12 **A. The Loan Modification Scam**

13 21. Numerous mortgage lenders and servicers offer free loan
14 modification programs to assist financially distressed homeowners. Additionally,
15 numerous non-profit organizations offer free mortgage counseling to consumers.
16 Government agencies, consumer advocacy groups, and the media have long
17 advised consumers who need assistance applying for a loan modification or
18 avoiding foreclosure to seek help from legitimate, non-profit, HUD-certified
19 organizations that provide free assistance, and to be alert to loan modification
20 scams.

21 22. Audit Defendants have capitalized on this widely-disseminated
22 advice. They deceptively have lured consumers and gained their confidence by
23 portraying themselves as non-profit, accredited housing counselors with special
24 qualifications. They also have represented that they provide free services that
25 significantly increase the likelihood that consumers will obtain a loan
26 modification or stop foreclosure.

27 23. In numerous instances, after these initial representations, Audit
28 Defendants' sales representatives have told consumers that Audit Defendants

1 provide a unique type of service that will virtually assure consumers of a loan
2 modification. Audit Defendants have claimed that this service – a forensic loan
3 audit – will identify regulatory and contractual violations by the lender that will
4 force it to agree to a modification. Audit Defendants claim that 90% of the loan
5 audits they perform reveal such violations. In numerous instances, Audit
6 Defendants have told consumers that in greater than 90% of the cases, Audit
7 Defendants are successful in obtaining loan modifications.

8 24. After making these representations, in numerous instances, Audit
9 Defendants have told consumers the forensic loan audit is the only service not
10 “funded” by the outside donors who otherwise pay for Audit Defendants’ loan
11 modification services. They request that consumers pay a fee of typically
12 between \$795 and \$1595 for the loan audit before loan modification services
13 begin. Audit Defendants have told consumers that there is little risk in
14 purchasing a loan audit because in the unlikely event that their loan audit does
15 not reveal violations, 70% of the fee will be refunded.

16 25. In numerous instances, after consumers have paid this advance fee,
17 Audit Defendants have failed to perform a loan audit that provided the claimed
18 leverage and have failed to obtain a loan modification or stop foreclosure.
19 Instead, many consumers have received the run-around, as Audit Defendants fail
20 to return consumers’ calls and emails, and undertake little or no effective
21 communication with lenders. Exacerbating matters, Audit Defendants have
22 recommended that consumers skip making mortgage payments and refrain from
23 communicating with their lenders. In numerous instances, Audit Defendants
24 have refused to provide refunds.

25 26. In numerous instances, consumers who have paid Audit Defendants’
26 fee have suffered significant economic injury, including but not limited to,
27 incurring late payments fees, damaging their credit, going into foreclosure, and
28 losing their homes.

1 ***Initial Communications: Audit Defendants' Websites***

2 27. Audit Defendants' primary means of initial contact with consumers
3 has been through several web sites, and in some instances, through outbound
4 telemarketing. Audit Defendants have operated websites including, but not
5 limited to, FreeFedLoanMod.org ("FFLM"), HouseHoldRelief.org ("HHR"), and
6 MyHomeSupport.org, ("MHS"). The web sites have urged consumers to call a
7 toll-free number or submit personal information online to request a call-back.

8 ***FreeFedLoanMod.Org Web Site***

9 28. Beginning no later than approximately April 2010, and continuing
10 through the present, Audit Defendants have operated the web site
11 FreeFedLoanMod.org. The web site has been a major source of consumers for
12 Audit Defendants' deceptive MARS operations. However, Audit Defendants
13 have not offered services through an organization called "FreeFedLoanMod.org."
14 Instead, consumers who call the toll-free number on the FFLM web site reach
15 sales representatives for Audit Defendants' other fictitious business identities,
16 including HHR and MHS.

17 29. Although Audit Defendants have redesigned their web pages from
18 time to time, at relevant times, the landing page for FFLM prominently has
19 featured a picture of President Obama and in large, bold-face print, has urged
20 consumers to call a toll-free number to "**Speak With a Counselor and Receive a**
21 **FREE Loan Modification Under the Obama Loan Modification Programs.**"

22 30. The web site also has included a banner featuring the logos of
23 numerous major mortgage lenders.

24 31. The web site has included no disclosure that Audit Defendants are
25 not associated with the government and that their service is not approved by the
26 government or the consumer's lender.

27 32. The landing page also has included two bold headlines, set apart
28 from other text, reiterating, "**Free Loan Modification.**" The web site also has

1 prominently advertised that Audit Defendants provide “FREE Attorney
2 Assistance” and “FREE Foreclosure Avoidance,” and that “[a]ll of the tools and
3 services that we provide are completely FREE of charge to YOU, the
4 homeowner.”

5 33. The text of the landing page has explained, “[w]e have setup [sic]
6 relationships with various outside third parties who have been generous enough
7 to donate the resources necessary for us to help homeowners get a loan
8 modification absolutely **FREE!!!**”

9 34. The FFLM web site has included no disclosure that Foresnic Loan
10 Audit Defendants charge typically between \$795 and \$1595 for a loan audit,
11 payable before services begin.

12 35. The landing page also has included prominent headlines claiming
13 that Audit Defendants’ services will result in, among other things, “**Permanent**
14 **Interest Rate Reductions**” “**Step Interest Rate Reductions,**” and “**Principal**
15 **Balance Reductions.**” The web site further has claimed that “[o]n average we
16 are typically getting our clients rates as low as 2 and as high as 5 percent,”
17 and “[t]he process usually takes only 60-90 days to complete.”

18 36. The text of the landing page has purported to explain that Audit
19 Defendants obtain these favorable results, in part, by conducting a “300 point
20 audit looking for any state or federal violations that may have been committed on
21 your loan paperwork.” This loan audit supposedly provides Audit Defendants
22 with “leverage because we have something to hold over the bank’s head.” Audit
23 Defendants have claimed that “[t]he best part of the loan audit is that it is not a
24 shot in the dark thing. 90% of the files we audit have violations.”

25 37. Beside this text, and immediately below the headlines touting
26 results, the web site has included testimonials of purported FFLM customers,
27 identified only by first name and last initial, purporting to illustrate these results.

28 38. These testimonials have also appeared verbatim – including the first

1 name and last initial of the supposed consumer – on several unrelated loan
2 modification web sites, and on HHR’s web site, all of which have claimed that
3 the companies operating those web sites helped the same supposed consumers
4 obtain a loan modification.

5 39. To enhance their credibility, Audit Defendants’ web site has
6 included a large, colorful seal indicating that FFLM is an “NHLA
7 ACCREDITED MORTGAGE ADVOCATE.” In the text of the landing page,
8 Audit Defendants have explained that NHLA is:

9 the National Home Loan Advocates Association. They are a
10 regulatory body in the loan modification industry to insure
11 only the highest standards and practices are being performed.
12 They have an A rating with the BBB. We also have Zero
13 complaints anywhere.

14 40. NHLA is not a “regulatory body” but is instead a now-defunct
15 private MARS provider. The company has an “F” rating with the BBB and no
16 active web site. Moreover, contrary to Audit Defendants’ claim, consumers who
17 have called the toll-free number listed on the FFLM web site have not reached an
18 organization called FFLM, but have instead reached Audit Defendants’ HHR or
19 MHS operations, which have numerous complaints against them.

20 *HouseHoldRelief.Org Web Site*

21 41. Beginning on or about October 2009 and continuing through
22 approximately October 2011, Audit Defendants also operated the web site
23 HouseHoldRelief.org.

24 42. Like FFLM, the landing page of HHR’s web site claimed that Audit
25 Defendants had “setup [sic] relationships with various outside third parties who
26 have been generous enough to donate the resources necessary for us to help
27 homeowners get a loan modification absolutely **FREE!**” The landing page also
28 claimed that “the products offered by HouseHoldRelief.org are completed

1 upfront allowing the homeowner to understand exactly all of their options with
2 **NO RISK!**” The web site explained that HHR’s free products included a
3 **“CONSUMER FRAUD REPORT,” “MORTGAGE COMPLIANCE**
4 **REPORT,”** and **“ATTORNEY REVIEW.”**

5 43. The web site further claimed, on the landing page, that “[u]sing the
6 tools outlined in this package have been proven to increase your chances of
7 obtaining a modification by as much as 40%.” In addition, the web site advised
8 consumers that “[a] typical loan modification application can take anywhere from
9 30 to 180 days to complete.”

10 44. The HHR web site included no disclosure that Audit Defendants
11 charge typically between \$795 and \$1595 for the loan audit, payable before
12 services begin.

13 45. The HHR web site also offered five testimonials illustrating the
14 purportedly favorable results it had obtained for consumers. These included three
15 testimonials that also appeared on the FreeFedLoanMod.org web site. The two
16 additional testimonials on HHR’s web site also appeared on several other loan
17 modification web sites, which have claimed that the companies operating those
18 web sites helped the supposed consumers obtain a loan modification.

19 46. The HHR web site also touted Defendants’ credibility and expertise,
20 and discouraged consumers from contacting their lenders on their own to pursue
21 a loan modification. In a large, color headline, the web site urged consumers,
22 **“Don’t Do It Yourself!”** The ensuing text stated that “[d]ealing with the
23 mortgage lender takes years of experience” and “[l]enders know that the average
24 homeowner does not have the financial knowledge needed in order to
25 successfully arrange for a proper modification and therefore prey on those
26 homeowners.” Audit Defendants further advised that consumers should “not
27 attempt to contact your lender about a Loan Modification until you are fully
28 educated about the process. The lender is a debt collector-any information that

1 you give them can be used against you at a later date to collect on that debt.”

2 47. Audit Defendants claimed on the HHR web site that they have
3 “[o]ver one hundred years of industry experience with the tactics and what goes
4 on behind the scenes with your lender.”

5 48. To further enhance its credibility, the HHR web site advised
6 consumers to “Avoid Foreclosure Scams” and included a large, colorful seal
7 indicating that HHR is an “NHLA ACCREDITED MORTGAGE ADVOCATE,”
8 and an explanation that “I have earned and maintain my NHLA Accreditation
9 [which] commits me to honest and transparent practices.”

10 *MyHomeSupport Web Site*

11 49. Beginning on or about April 2011 and continuing to the present,
12 Audit Defendants also have operated the web site MyHomeSupport.org. Using
13 language similar to that used by FFLM and HHR, the web site has claimed that
14 “MyHomeSupport.org has setup [sic] relationships with various outside Third
15 Parties, Mortgage Professionals, and Attorneys who have been generous enough
16 to donate their time and resources necessary for us to help homeowners get a loan
17 modification absolutely **FREE!**”

18 50. The web site’s landing page has represented that “MyHomeSupport
19 offers a **FREE** Loan Modification Service” and that “MyHomeSupport.org was
20 created to do Loan Modification at **NO CHARGE**... we don’t have any Audits,
21 Gimmicks, Analysis Reports, Hidden Fees, or Tricks... we are simply here to
22 help... for **FREE!**” The landing page and subsequent pages have detailed
23 numerous services MHS purports to provide consumers and emphasizes again
24 after each explanation that the services will be “**FREE OF CHARGE!**” The
25 web site also has advised consumers to “**AVOID SCAMS**” by “predators that
26 may be looking to take advantage of consumers in these uncertain times.”

27 51. The MHS web site has included no disclosure that Audit Defendants
28 charge typically between \$795 and \$1595 for a loan audit, payable before any

1 services begin.

2 52. Like the FFLM web site, it has included claims that Audit
3 Defendants' services will result in, among other things, a "**Permanent Interest**
4 **Rate Reduction**" "**Step Interest Rate Reduction,**" and "**Principal Balance**
5 **Reduction.**"

6 53. Adjacent to these claims have appeared testimonials of supposed
7 MHS consumers purporting to illustrate the favorable results obtained by MHS.
8 These testimonials have appeared, verbatim but for the name of the organization,
9 on at least one other web site purporting to offer loan modification services. That
10 website, www.HomeAffordableRelief.org, has been registered to Joseph Longo,
11 who is or has been a sales representative of HouseHoldRelief.org and Precision
12 Law Center.

13 54. Using language identical to the HHR website, MHS also has told
14 consumers that "[t]he process typically takes anywhere from 60-180 days."

15 ***Audit Defendants' Deceptive Telephone Sales Pitch***

16 55. In numerous instances, consumers who have called the toll free
17 numbers listed on the FFLM, HHR, and MHS web sites, submitted personal
18 information on those websites, or received outbound telemarketing calls, have
19 spoken with Audit Defendants' telephone sales representatives. Consumers
20 calling FFLM, HHR, or MHS have spoken with representatives identifying
21 themselves as being with either HHR or MHS, regardless of which one of Audit
22 Defendants' web sites provided the toll-free number.

23 56. In numerous instances, Audit Defendants' representatives have made
24 similar sales pitches that initially have reinforced the claims made on the web
25 sites, including that Audit Defendants are a free, non-profit service that can
26 significantly increase the likelihood that consumers will obtain a loan
27 modification or stop foreclosure.

28 57. Audit Defendants' representatives have begun their sales pitch by

1 claiming that Audit Defendants are a “dot org because we are funded by various
2 third party companies and agencies.” In numerous instances, Audit Defendants’
3 representatives have explained that Audit Defendants are “funded” to provide a
4 complete loan modification for free. They have explained that this includes
5 preparation of a financial or loan modification package for submission to the
6 lender, an appraisal of the consumer’s home through a government-accredited
7 company, attorney review of the package, attorney negotiations if necessary, and
8 a property tax assessment.

9 58. Audit Defendants’ representatives also have sought to create a sense
10 of urgency for consumers to sign up for Audit Defendants’ service. Audit
11 Defendants have claimed in numerous instances that their funding only allows
12 them to perform between 500 and 1000 modifications per month and that they
13 therefore must be “selective” in the consumers they accept.

14 59. In numerous instances, Audit Defendants’ representatives have
15 explained that they “force” lenders to agree to modifications by performing a
16 “forensic loan audit” or “consumer fraud report” to identify regulatory or
17 contractual violations that will allow Audit Defendants to threaten the lender with
18 a lawsuit if it does not agree to a loan modification. Audit Defendants’
19 representatives have claimed that the “consumer fraud report is a questionnaire
20 the government put out.”

21 60. In numerous instances, Audit Defendants’ representatives have told
22 consumers it is virtually certain that the loan audit will find violations that will
23 lead to a loan modification. Audit Defendants’ representatives have made the
24 following typical and illustrative statements:

- 25 ● “We only need one violation, but we normally pull 8 to 12 violations
26 per contract. When we get the audit back, we’ll contact your lender
27 and give them two choices. We can either take them to court . . . or
28 they can give you the loan modification. . . . Of course, none of the

1 lenders will go to court because they lose every time.”

- 2 ● “The vast majority of loans written between 2000 and 2009 had
3 violations. . . . Now of course, none of the lenders are going to want
4 to go to court when they see that they can lose.”

5 61. In some instances, Audit Defendants’ telephone sales representatives
6 have claimed to identify violations during the initial sales call, without having
7 reviewed any documents, such as in the following typical and illustrative
8 statement:

9 “So, did B of A ever call you to come into the office and sign
10 new disclosures and new RESPAs because of the truth-in-
11 lending laws because there was new fees attached? . . . Well,
12 there’s violations – there is violations right there, okay?”

13 62. In numerous instances, Audit Defendants’ sales representatives have
14 made numerical claims regarding their success rate in obtaining loan
15 modifications for consumers. For example, after one consumer had identified her
16 lender as Bank of America, Audit Defendants’ sales representative made the
17 following typical and illustrative statement: “I was hoping you would tell me
18 that. Oh, that’s good news. . . . 100 percent of our loan mods get done by them.”

19 63. In another instance, Audit Defendants’ sales representative made the
20 typical and illustrative statement that if a consumer used Audit Defendants’
21 service, “you get a – you know, 90 percent chance of getting it done.” The
22 representative claimed that, in comparison, if the consumer attempted to obtain a
23 loan modification by herself, “you’ve got like a 2 percent chance of getting it
24 done and like . . . a 12-month waiting period.”

25 64. In numerous other instances, Audit Defendants have claimed their
26 success rate in obtaining loan modifications was in the high 90th percentile.

27 65. In numerous instances, Audit Defendants’ sales representatives have
28 claimed that “we do such a prolific job on the consumer fraud report and the

1 appraisal, we normally don't even need attorneys, but if you need them, they're
2 there for you free of charge."

3 66. After making these success claims, in numerous instances, Audit
4 Defendants' representatives have informed consumers that the consumer fraud
5 report and/or forensic loan audit is the only service not "funded" by third-parties
6 as part of Audit Defendants' "free" loan modification service. Audit Defendants'
7 representatives have then requested up-front payment of between \$795 and \$1595
8 for the consumer fraud report and/or forensic loan audit.

9 67. In numerous instances, Audit Defendants' representatives have
10 emphasized that there is little or no risk to consumers in purchasing the consumer
11 fraud report and/or forensic loan audit because if these inquiries do not turn up at
12 least one violation, Audit Defendants will refund 70 percent of the consumer's
13 fee and still continue with the loan modification.

14 68. Audit Defendants' representatives also have claimed that they would
15 not take money from consumers unless Audit Defendants first determined that the
16 consumers "qualified" for a loan modification, as in the following typical and
17 illustrative statement:

18 "[B]efore I would take one dime from you, I want to make
19 sure you qualify. . . . There are no gray areas. Either you
20 qualify or you don't. If you qualify, only then we'll decide to
21 bring you aboard as our client because we don't bring just
22 anybody on board."

23 69. In numerous instances, Audit Defendants have purported to
24 "qualify" consumers for a loan modification by asking some basic questions
25 about the consumers' finances and mortgage payments, and then telling
26 consumers, "Okay, you definitely do qualify."

27 70. In numerous instances, after only collecting basic financial
28 information from consumers on an initial phone conversation, Audit Defendants'

1 representatives have claimed that consumers could expect to receive an interest
2 rate reduction, a principal reduction, a fixed rate mortgage, or all of these.

3 71. Audit Defendants' representatives have called consumers to follow
4 up after the initial telephone sales pitch to tell consumers that Audit Defendants
5 have "worked out a payment of principal and interest" and then quoted a specific
6 monthly dollar amount without ever having contacted consumers' lenders. Audit
7 Defendants' representatives have made the typical and illustrative statement,
8 "you'll never get this on your own," and claimed that consumers' interest rate
9 "could go even lower to 2 percent."

10 72. In numerous instances, Audit Defendants have told consumers that if
11 they forego purchasing the consumer fraud report or forensic loan audit, their
12 loan modification request will be seriously delayed and significantly less likely to
13 succeed.

14 73. Audit Defendants' representatives have made numerous typical and
15 illustrative statements to this effect, including that if the consumer did not
16 purchase these services, "there's about a 60-day waiting period – wait to start the
17 file because you can imagine how many homeowners we need to help right now."
18 Audit Defendants' representatives also have stated that "generic packages can
19 sometimes take seven, eight, nine months or longer," while packages with a fraud
20 report are "typically a three to four-month process." Audit Defendants'
21 representatives also have claimed that purchasing the consumer fraud report
22 "increases the chance of getting a modification about 60 percent higher than just
23 a generic package."

24 74. Audit Defendants have sought in numerous instances to further
25 inspire confidence in their expertise and bolster their credibility by claiming that
26 Audit Defendants were HUD certified when they were not.

27 75. In numerous instances, Audit Defendants have cautioned consumers
28 to stay away from other, purportedly fraudulent, operators. In one typical and

1 illustrative statement to this effect, Audit Defendants' representative claimed that
2 "[t]his company is the only company I know that actually does what it says. . . .
3 We're going to probably be the only modification company in existence after a
4 couple of weeks. They'll all be shut down, new laws."

5 76. In numerous instances, Audit Defendants' representatives have
6 recommended that consumers skip making mortgage payments.

7 77. In numerous instances, Audit Defendants' representatives have
8 discouraged consumers from communicating directly with their lenders.

9 78. In numerous instances, Audit Defendants' representatives have told
10 consumers that Audit Defendants would obtain the loan documents necessary to
11 perform the forensic loan audit from consumers' lenders.

12 79. In numerous instances, Audit Defendants' representatives have told
13 consumers that Audit Defendants know how to massage the numbers if
14 consumers are making too much income to qualify for a loan modification.

15 ***Audit Defendants' Deceptive Follow-Up Sales Material***

16 80. In numerous instances, Audit Defendants have sent, generally by
17 email, additional materials to consumers who have expressed interest, including
18 but not limited to a cover letter, brochure, contract, and purported compliance
19 checklist. These materials have further advanced Audit Defendants' deceptive
20 scheme.

21 81. Audit Defendants' cover letter has reinforced the claim that they are
22 a free nonprofit service with credibility and expertise. In numerous instances, the
23 cover letter has reiterated that Audit Defendants are "funded by various third
24 party companies and agencies." It has further claimed that Defendants are
25 "**Certified in Foreclosure Intervention and Certified in Default Counseling by
26 **Neighborhood Works (HUD Training Program)**." Defendants are not
27 certified by HUD or by "Neighborworks," a non-profit community-based
28 organization working in cooperation with HUD and other government agencies.**

1 No organization named “Neighborhood Works” is associated with HUD.

2 82. The HHR cover letter also has fostered a sense of urgency for
3 consumers to act. It has purported to identify the position in line of the
4 consumer’s application out of 1000 purportedly available slots. In all or virtually
5 all instances, the consumer’s place in line is purported to have been in the high
6 800s or 900s. Audit Defendants have instructed consumers that they must
7 respond “within the next ***48 HOURS*** to secure your slot.” Audit Defendants
8 have further claimed that “[o]ur company is required to fill all of the allocated
9 slots in order to continue with the funding and urge you to cooperate so that we
10 are able to extend the same service to other homeowner’s [sic] in need.”

11 83. Audit Defendants have claimed in the cover letter that “[u]sing the
12 tools outlined in this package have been proven to increase your chances of
13 obtaining a modification by as much as 40%.”

14 84. To further enhance Audit Defendants’ credibility, the brochure has
15 included several testimonials touting favorable results, including one that appears
16 verbatim, or almost verbatim, on 36 web sites, including numerous loan
17 modification or debt relief web sites, and another that appears verbatim, or almost
18 verbatim, on 15 web sites, including numerous loan modification or debt relief
19 web sites.

20 85. The brochure has included no disclosure that the results described in
21 the testimonials are not typical of Audit Defendants’ customers seeking loan
22 modifications. Instead, the brochure has claimed that “[t]ypically adjustments
23 range from 1-3% in overall interest rate reduction. This drops the payment
24 drastically allowing for new found comfort with your personal housing
25 expenses.”

26 86. The package Audit Defendants have sent to consumers also has
27 included an “Assistance Agreement,” which has reiterated, notwithstanding Audit
28 Defendants’ request for up-front payment, that Audit Defendants’ “services are to

1 be performed free of charge for the undersigned Client” and that “HHR is not
2 charging for the services of a loan modification in any way shape or form.”

3 87. The package also has included an “Addendum to Assistance
4 Agreement,” pre-signed in the name of the consumer with an “electronic”
5 signature, purporting to certify certain statements that contradict the express
6 representations made up to that point by Audit Defendants. These false
7 certifications include, among others, the statements that “I was not told a specific
8 success rate,” “I was not promised a specific result,” and “I was not told to miss a
9 mortgage payment.”

10 88. Audit Defendants also have sent consumers official-looking
11 “samples” of a consumer fraud report and forensic loan audit and have sent
12 follow-up emails claiming that if such an audit uncovers violations or
13 noncompliance on the part of the lender, then “you can expect a Loan
14 Modification.”

15 **B. The Mass Joinder Scam**

16 89. Mass Joinder Defendants Lakhany, Precision Law Center, Inc., and
17 Precision Law Center LLC have operated Precision Law Center (“PLC”), a
18 company that purports to be a law firm. From at least February 2011 to at least
19 September 2011, Defendants Pacios, Assurity Law, and NLN operated a PLC
20 office in Irvine, California. Through PLC, Mass Joinder Defendants have
21 engaged in a course of conduct to advertise, market, offer to sell, and sell to
22 homeowners the opportunity to participate in mass joinder litigation against their
23 lenders. PLC has represented that among other things, consumers can stop
24 foreclosure and gain substantial mortgage concessions from their lenders,
25 including but not limited to loan modifications.

26 90. In numerous instances, PLC has initiated contact with consumers by
27 sending them a deceptive direct-mail solicitation. In other instances, Mass
28 Joinder Defendants have attempted to up-sell the services of PLC to customers of

1 FFLM, HHR, or MHS for whom Audit Defendants failed to obtain a loan
2 modification.

3 91. Mass Joinder Defendants' direct mail solicitation contains an
4 official-looking form that resembles a federal tax form or a class action
5 settlement notice. Mass Joinder Defendants have sent the mailer to consumers by
6 U.S. Mail using a blue, orange, and white color envelope that resembles a Federal
7 Express overnight package. The envelope states, in large color text, "ExpressPak
8 Service," and includes several prominent statements indicating, expressly or by
9 implication, that it contains important legal materials:

- 10 ● *****Time Sensitive Material*****
11 **REGISTERED CERTIFIED DOCUMENT**
- 12 ● **LEGAL NOTICE - PERSONAL AND CONFIDENTIAL**
- 13 ● **OPEN IMMEDIATELY**

14 92. Inside, the envelope has contained a single-page document that
15 purports to be a "FORM 1012-R, LITIGATION SETTLEMENT NOTIFICATION." On
16 the upper left corner of the page, in a font and position similar to the four-digit
17 identification number used on federal tax forms has been the date, "**2011.**"

18 93. The mailer has identified the consumer's mortgage lender by name,
19 set forth the consumer's loan amount, and indicated that it is a "FINAL
20 NOTICE" relating to, as in one case, a "LITIGATION SETTLEMENT VS -
21 WASHINGTON MUTUAL BANK FA." The form prominently has featured a box
22 that lists the "Status" as "Eligible-Pending."

23 94. In two places, the mailer has included text appearing above graphic
24 lines, setting it apart from the rest of the page, that states:

25 YOU ARE A POTENTIAL PLAINTIFF IN LAWSUIT VS. WASHINGTON MUTUAL BANK FA
26 ----- **MULTI PARTY LAWSUIT** -----

27 95. The mailer has explained:

28 Your loan with **WASHINGTON MUTUAL BANK FA**

1 may be eligible for an inclusion into a
2 national litigation settlement aimed at
fraudulent lender actions.

3 You will become a joined named plaintiff
4 in a national lawsuit that will seek,
among other things, to stop foreclosure,
5 new loan terms and/or to award you relief
and monetary damages.

6 96. The mailer has concluded with a box at the bottom of the page
7 containing the text "IMMEDIATE RESPONSE REQUIRED" followed by a toll-
8 free number.

9 97. PLC also has marketed its purported services through a website that
10 claims PLC is a "full service law firm" and that its attorneys are "highly skilled"
11 in a variety of practice areas including "Commercial & Business Litigation" and
12 "Real Estate." The web site has claimed that "we have assembled an aggressive
13 and talented team of litigators to address the lenders in a Court of Law." It
14 further has claimed that "[o]ver the last several years this firm has diligently
15 worked with mortgage lenders to achieve affordable loan restructuring solutions
16 for our clients."

17 98. In fact, at relevant times, PLC has had either no attorneys or only
18 one attorney representing all of its clients from various states. The attorney who
19 signed the lawsuits PLC filed against consumers' lenders passed the California
20 bar in March 2009. He is not listed as a member of the bar in the other states in
21 which PLC's clients have resided.

22 99. The web site has made claims about the outcomes consumers may
23 expect if they hire PLC, including:

24 In our expert opinion, a case like this is likely to have one of
25 the two following outcomes: 1) there could be a trial
26 Settlement - This is the most likely due to the fact that any
27 Lender would be at a disadvantage with a jury trial. If this
28

1 were to take place our settlement demand would include a
2 favorable modification as well as compensatory damages. 2)
3 Amnesty Program - Just like the tobacco industry, the
4 Lending industry could receive amnesty from the
5 Government. If this were to take place, only those plaintiffs
6 already party to the lawsuit will be eligible for a settlement.

7 100. The web site also has made claims about what the consumer's
8 "settlement demand will stipulate." These include "**Principal Reduced to 80%**
9 **of Current Market Value,**" "**Forgiveness of Past Payments and Misc Fees,**"
10 "**Credit Report to show NO LATE PAYMENTS,**" and "**Forty (40) Year**
11 **Mortgage Term.**"

12 101. Additionally, under a bold headline stating, "**Rate based on lowest**
13 **Fannie Mae 30 Year,**" the web site has told consumers that "your new rate, at
14 the time of settlement, will be based on the going Fannie Mae 30 year loan rate.
15 This rate will be a bare bone base rate with no commissions, hidden fees, or
16 balloon payments."

17 102. Without having obtained any information specific to any individual
18 consumer, the web site has made the blanket claim that "[d]ue to the complexity
19 of this case and the different parties/parameters involved, we estimate that this
20 case will take approximately 18-24 months to settle."

21 103. Other portions of the PLC website have included significant
22 amounts of text that appears verbatim, or nearly verbatim, on the FFLM, HHR,
23 and MHS websites.

24 104. The PLC web site has urged consumers to submit personal
25 information online to request a call-back in order to obtain assistance.

26 105. In numerous instances, PLC also has marketed to consumers whom
27 FFLM, HHR, and MHS have failed to assist. In at least one instance, a consumer
28 who demanded a refund of the \$1595 he had paid HHR was instead given only

1 the option of having this amount applied as a “down payment” toward joining a
2 planned PLC lawsuit against his lender. The consumer was told that he would
3 have to pay \$10,000 to join the lawsuit.

4 106. In numerous instances, consumers who have called the toll free
5 number listed on the “Form 1012-R,” have submitted personal information on the
6 PLC web site, or have been referred to PLC after Audit Defendants failed to
7 obtain a loan modification, have spoken with a PLC representative.

8 107. PLC’s representatives have urged consumers to buy their way into a
9 PLC “mass joinder” lawsuit by paying typically \$6000 to \$10,000. These
10 representatives have reinforced the claims made in PLC’s direct mail solicitation
11 and on its website.

12 108. After an initial sales pitch, PLC’s representatives have sent
13 consumers marketing materials making further specific claims regarding the
14 outcome PLC will obtain if the consumer hires the law firm. In one typical and
15 illustrative email, a non-attorney representative made the following claims:

16 **OUTCOME: (This is the Minimum Settlement you will receive)**

- 17 ● 18-24 Month Process (UP THE [sic] HOME OWNER TO
- 18 MAKE PAYMENTS OR NOT)
- 19 ● Lender can not Foreclose (Active Litigation and Lis Pendens)
- 20 ● 40 or 30 Year loan term
- 21 ● Interest rate and going Fannie Mae 30yr Rate (approx 4%)
- 22 ● 80% of current market value (AVM)
- 23 ● Forgiveness of all past due payments
- 24 ● Forgiveness of all miscellaneous fees
- 25 ● Restoration of Credit showing no late payments
- 26 ● Possible compensatory damages

27 109. In materials attached to this typical and illustrative email to a
28 consumer whose home and residence was in Connecticut, Mass Joinder

1 Defendants claimed that he could become part of a mass-joinder suit “[f]iled in
2 LA Superior Court.”

3 110. PLC further claimed to be “Allowed to Accept Retainer Fees”
4 because it was “Not Covered by FTC,” and there were “No State Restrictions”
5 and “No DRE Jurisdiction.”

6 111. In other instances, PLC has sent materials to consumers that include
7 deceptive claims that are either tailored to the specific consumer or general with
8 respect to mass joinder litigation.

9 112. In one typical and illustrative package of materials, PLC included a
10 one-page “Settlement Worksheet” with a box titled “Proposed Resolution” that
11 included the following claims tailored to the consumer’s specific loan:

12 *PROPOSED LOAN TERM: 30 Years*

13 *PROPOSED LOAN BALANCE (80% of market value): \$135,200.00*

14 *PROPOSED RATE: 2% Fixed*

15 *PROPOSED PAYMENT: \$500.00*

16 113. The worksheet included another box titled “Additional Terms” that
17 included the following statements:

- 18 ● *Forgiveness of all delinquent payments, fees and*
19 *penalties*
- 20 ● *Halt and reverse foreclosure proceedings*
- 21 ● *Credit restoration*
- 22 ● *Possible compensatory damages in the amount*
23 *of \$22,500.00*
- 24 ● *Possible punitive damages in the amount of*
25 *\$52,500.00*

26 114. Mass Joinder Defendants also have included with materials sent to
27 consumers, PowerPoint-style presentations making general claims about the
28 benefits of mass-joinder litigation. The presentations have included claims about
the success rate of the lawsuits and what consumers can expect to win in the

1 lawsuit:

2 ● FREQUENTLY ASKED QUESTIONS

3 **How often are these suits successful?**

- 4 * 80% to 85% of classified mass joinders receive a
5 successful result on behalf of the participants.

6 **What kind of monetary damages can I expect?**

- 7 * Upon a successful settlement or adjudication you may
8 receive anywhere from a small settlement to several
9 thousands of dollars. You may also receive a very large
10 principal balance reduction on the home which would
11 give you instant equity in your home.

12 ● WHAT CAN I EXPECT TO WIN WITH THIS LAWSUIT?

- 13 * Potentially Receiving Your Home Free and Clear.
14 * A Reduction In Your Homes Principle [sic] Balance to
15 70% of the Current Value
16 * Reducing the Interest Rate to 50% Of The Current
17 Interest Rate.
18 * Elimination and Potential Refund of Any
19 Accrued Interest, Penalties and Charges
20 * Elimination of Any Negative Reporting to the Credit
21 Reporting Agencies.
22 * Compensatory and Punitive Damage (Monetary
23 Damages).
24 * 40 Year Fixed Rate Term On The Loan.
25 * Potential Foreclosure Protection During The Law
26 Suit.
27 * Potential Revisions Regarding The Grant Deed of The
28 Home.

1 * Ability to Continue Litigation in the Future Should
2 Additional Issues Arise.

3 115. PLC has filed at least seven mass-joinder complaints in Los Angeles
4 County Superior Court. In each case, PLC has failed to do anything to advance
5 consumers' cases after filing the complaint.

6 116. The docket for the Los Angeles Superior Court reflects that in five
7 cases, PLC failed to serve the complaint on the defendants, resulting in the
8 dismissal of three cases and orders to show cause why sanctions should not be
9 imposed for failure to serve the summons and complaint in two. PLC has not
10 appeared for hearings and has not otherwise responded to the orders to show
11 cause.

12 117. Of the two remaining cases, one was dismissed when PLC failed to
13 oppose Defendants' motions to dismiss and for judgment on the pleadings. The
14 other, which was filed in July 2011, is listed as "pending" with no docket entry
15 reflecting service or any other action by PLC.

16 118. These seven mass-joinder complaints collectively purport to
17 represent the interests of 186 consumers. Many of these consumers, whose
18 homes have been in foreclosure, may not know their complaints have been
19 dismissed, in light of PLC's representations that the successful results of its
20 lawsuits would take 18-24 months.

21 119. The FTC is aware of no other lawsuits filed by PLC.

22 ***Consumer Injury***

23 120. In numerous instances, consumers who have paid Forensic Loan
24 Audit and Mass Joinder Defendants' fees have suffered significant economic
25 injury, including but not limited to incurring late payments fees, damaging their
26 credit, going into foreclosure, and losing their homes.

27 121. In numerous instances, after consumers have paid Forensic Loan
28 Audit and Mass Joinder Defendants their requested advance fee, Forensic Loan

1 Audit and Mass Joinder Defendants have failed to obtain a loan modification or
2 stop foreclosure.

3 122. In numerous instances, Audit Defendants have failed to conduct
4 consumer fraud reports or forensic loan audits that provided the leverage Audit
5 Defendants promised would force banks to agree to a loan modification.

6 123. In numerous instances, Audit Defendants have failed to obtain
7 documents from consumers' lenders as promised to conduct these reports and
8 audits, have failed to submit necessary paperwork to consumers' lenders to
9 request loan modifications, and have engaged in little or no effective
10 communications with consumers lenders. In numerous instances, Audit
11 Defendants have falsely blamed consumers for failing to provide requested
12 information.

13 124. In numerous instances, Audit Defendants have failed to provide free
14 legal services or many of the other services they claimed would be provided for
15 free.

16 125. In numerous instances, consumers who have paid Audit Defendants'
17 requested up-front fee have received the run-around. Audit Defendants have
18 failed to return consumers' phone calls and emails, and consumers have been
19 transferred from one agent to another.

20 126. In numerous instances, Audit Defendants have refused to refund
21 consumers' up-front fees. Instead, they have claimed to have identified lender
22 "violations," making the consumer ineligible for a refund under Audit
23 Defendants' policy. In numerous instances, however, these purported
24 "violations" have not provided the leverage Audit Defendants promised would
25 force banks to agree to a loan modification.

26 ***Role of Individual Defendant Lakhany***

27 127. Sameer Lakhany, acting individually or in concert with others, has
28 formulated, directed, controlled, had the authority to control, and participated in

1 the acts and practices of the Corporate Defendants, as well as
2 FreeFedLoanMod.org, HouseHoldRelief.org, and MyHomeSupport.org.

3 128. Although neither FFLM, HHR, nor MHS is a proper corporate
4 entity, each is a registered or non-registered fictitious business identity controlled
5 by Lakhany, through which he and his interrelated maze of companies has
6 operated.

7 129. Lakhany is the director and agent for service of process for Fidelity
8 Legal, the limited liability company that created and has maintained the web sites
9 and toll-free telephone numbers used by FFLM, HHR, and MHS. Lakhany has
10 paid for these accounts with his credit card and is identified as the contact person
11 for the accounts. Lakhany also has written checks on Fidelity Legal's bank
12 account.

13 130. Lakhany is the organizer and agent for service of process of Credit
14 Shop, the limited liability company that owns the fictitious business name
15 HouseHoldRelief.org. Lakhany's signature appears on the company's articles of
16 organization.

17 131. Lakhany is CEO and agent for service of process of Titanium
18 Realty, a corporation that has maintained a bank account in the name "Titanium
19 Realty dba HouseHoldRelief.org." Nearly 400 consumer payments for HHR loan
20 modification services were deposited to the account during a three month period
21 in 2010. Titanium Realty also has written checks to employees of HHR.

22 132. Lakhany has identified himself to prospective employees as the
23 actual owner of Precision Law Center. Although Lakhany has asserted that he is
24 not listed as the "paper" owner of Precision Law Center because he is not an
25 attorney, Lakhany is listed in corporate registration documents as the
26 incorporator of Precision Law Center, Inc. and signed its articles of
27 incorporation. Lakhany's email address is listed with Precision Law Center's
28 web site registration, and his credit card has paid for at least one of the phone

1 numbers used by Precision Law Center. Lakhany also makes hiring decisions for
2 Precision Law Center.

3 133. Lakhany is actively involved in the Corporate Defendants' and
4 fictitious businesses' day-to-day operations.

5 134. For example, he has sent emails to consumers and HHR staff
6 confirming that HouseHoldRelief.org had received the consumers' payment for
7 services. Additionally, at least one consumer, on at least two occasions, emailed
8 Lakhany directly at slakhany@householdrelief.org to describe her numerous
9 problems with HHR and ask for his assistance. An email dated March 1, 2011
10 from the consumer contains the subject line "dishonorable business practice!"
11 This, and a second email dated March 13, 2011, detailed Audit Defendants'
12 deceptive business practices and requested a refund.

13 135. Lakhany also has created and disseminated false and misleading
14 materials to rebut HHR's negative Better Business Bureau ("BBB") rating,
15 further illustrating his awareness of consumer complaints about HHR. Lakhany
16 has created a fake BBB website apparently to divert consumers from the real
17 BBB website, which gave HHR an "F" rating. Lakhany has been listed as the
18 domain registrant of "www.labbbb.org" — which has four b's in its web address
19 instead of the three contained in the Los Angeles area BBB's legitimate web
20 address. The website has what appears to be a BBB ratings page for HHR and
21 purports to award the company a "B-" rating.

22 136. Lakhany also has sent emails from his address at
23 "slakhany@householdrelief.org" to the HHR sales staff with links to negative
24 press reports about the BBB. These emails, and the links, have been forwarded to
25 consumers who expressed concern about the BBB's poor review of HHR.

26 137. In April 2010, the State of Washington, Department of Financial
27 Institutions, ordered that Lakhany and Fidelity Legal cease and desist offering
28 loan modification services and otherwise conducting the business of a mortgage

1 broker in the state of Washington. Despite this, Lakhany and Fidelity Legal have
2 continued such activity in violation of the State of Washington's Order.

3 138. The fictitious business identities and complex web of corporations
4 through which Lakhany has operated obfuscate the true identities of the
5 companies with which consumers transact and place consumers at a
6 disadvantage.

7 ***Role of Individual Defendant Pacios***

8 139. Brian Pacios, acting individually or in concert with others, has
9 formulated, directed, controlled, had the authority to control, and participated in
10 the acts and practices of the Corporate Defendants.

11 140. Pacios controls or has the authority to control defendants Assurity
12 Law and NLN. In addition, Pacios managed the operations of Precision Law
13 Center's call center at 3240 El Camino Real in Irvine, California, where Precision
14 Law Center sales personnel, using scripts, deceptively lured consumers to
15 purchase the services of Precision Law Center.

16 141. Pacios ran the daily operations of the Precision Law Center Irvine
17 office. He interviewed and hired Precision Law Center employees, entered into
18 the lease agreement individually and identified himself as doing business as
19 "Assurity Law Group/Precision Law Center" for the office space where Precision
20 Law Center's call center operations were conducted, instructed Precision Law
21 Center personnel on when to withdraw specific consumer payments, and ran
22 office wide meetings with Precision Law Center personnel about its operations.

23 142. Pacios terminated his relationship with Precision Law Center in or
24 about September 2011. Since September 2011, Pacios continues to engage in at
25 least one mass joinder scam through defendant Assurity Law.

26 **VIOLATIONS OF THE FTC ACT**

27 143. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits "unfair or
28 deceptive acts or practices in or affecting commerce."

1 144. Misrepresentations or deceptive omissions of material fact constitute
2 deceptive acts or practices prohibited by Section 5(a) of the FTC Act.

3 COUNT I

4 (All Defendants)

5 145. In numerous instances, in connection with the offering and sale of
6 mortgage assistance relief services, Defendants have represented, expressly or by
7 implication, that they generally will obtain for consumers mortgage loan
8 modifications that will make consumers' payments substantially more affordable,
9 or will help consumers avoid foreclosure.

10 146. In truth and in fact, Defendants generally do not obtain for
11 consumers mortgage loan modifications that will make consumers' payments
12 substantially more affordable, and generally do not help consumers avoid
13 foreclosure.

14 147. Therefore, Defendants' representation as set forth in Paragraph 145
15 is false and misleading and constitutes a deceptive act or practice in violation of
16 Section 5(a) of the FTC Act, 15 U.S. C. § 45(a).

17 COUNT II

18 (Audit Defendants)

19 148. In numerous instances, in connection with the offering and sale of
20 mortgage assistance relief services, Audit Defendants have represented, expressly
21 or by implication, that as a result of a loan audit provided by Audit Defendants,
22 they generally will obtain for consumers mortgage loan modifications that will
23 make consumers' payments substantially more affordable.

24 149. In truth and in fact, Audit Defendants generally do not obtain for
25 consumers mortgage loan modifications that will make consumers' mortgage
26 payments substantially more affordable as a result of a loan audit provided by
27 Audit Defendants.

28 150. Therefore, Audit Defendants' representation as set forth in

1 Paragraph 148 is false and misleading and constitutes a deceptive act or practice
2 in violation of Section 5(a) of the FTC Act, 15 U.S. C. § 45(a).

3 COUNT III

4 (Audit Defendants)

5 151. In numerous instances, in connection with the offering and sale of
6 mortgage assistance relief services, Audit Defendants have represented, directly
7 or indirectly, expressly or by implication, that Audit Defendants are accredited
8 non-profit organizations with superior qualifications and techniques for obtaining
9 mortgage loan modifications that will make consumers' payments substantially
10 more affordable.

11 152. In truth and in fact, Audit Defendants are not accredited non-profit
12 organizations with superior qualifications and techniques for obtaining mortgage
13 loan modifications that will make consumers' payments substantially more
14 affordable.

15 153. Therefore, Audit Defendants' representation as set forth in
16 Paragraph 151 is false and misleading and constitutes a deceptive act or practice
17 in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

18 COUNT IV

19 (Audit Defendants)

20 154. In numerous instances, in connection with the offering and sale of
21 mortgage assistance relief services, Audit Defendants have represented, directly
22 or indirectly, expressly or by implication, that Audit Defendants will generally
23 provide refunds to consumers if Audit Defendants fail to obtain a mortgage loan
24 modification.

25 155. In truth and in fact, Audit Defendants do not generally provide
26 refunds to consumers when Audit Defendants fail to obtain a mortgage loan
27 modification.

28 156. Therefore, Audit Defendants' representation as set forth in

1 Paragraph 154 is false and misleading and constitutes a deceptive act or practice
2 in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

3 COUNT V

4 (Mass Joinder Defendants)

5 157. In numerous instances, in connection with the offering and sale of
6 mortgage assistance relief services, Mass Joinder Defendants have represented,
7 directly or indirectly, expressly or by implication, that Mass Joinder Defendants
8 generally will obtain favorable mortgage concessions from consumers' lenders or
9 stop foreclosure if consumers join mass joinder lawsuits initiated by Mass
10 Joinder Defendants.

11 158. In truth and in fact, Mass Joinder Defendants do not generally obtain
12 favorable mortgage concessions from consumers' lenders or stop foreclosure for
13 consumers who join the Mass Joinder Defendants' mass joinder lawsuits.

14 159. Therefore, Mass Joinder Defendants' representation as set forth in
15 Paragraph 157 is false and misleading and constitutes a deceptive act or practice
16 in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

17 THE MARS RULE

18 160. In 2009, Congress directed the FTC to prescribe rules prohibiting
19 unfair or deceptive acts or practices with respect to mortgage loans. Omnibus
20 Act, § 626, 123 Stat. at 678, as clarified by Credit Card Act, § 511, 123 Stat. at
21 1763-64. Pursuant to that direction, the FTC promulgated the MARS Rule, 16
22 C.F.R. Part 322, all but one of the provisions of which became effective on
23 December 29, 2010. The remaining provision, Section 322.5, became effective
24 on January 31, 2011. The Dodd-Frank Act, § 1097, 124 Stat. at 2102-03, 12
25 U.S.C. § 5538, transferred rulemaking authority over the MARS Rule to the
26 Consumer Financial Protection Bureau, which recodified the Rule as 12 C.F.R.
27 Part 1015 effective December 30, 2011, and designated it "Regulation O." The
28 FTC retains authority to enforce the MARS Rule pursuant to Dodd-Frank Act

1 § 1097, 12 U.S.C. § 5538.

2 161. The MARS Rule and Regulation O define “mortgage assistance
3 relief provider” as “any person that provides, offers to provide, or arranges for
4 others to provide, any mortgage assistance relief service” other than the dwelling
5 loan holder, the servicer of a dwelling loan, or any agent or contractor of such
6 individual or entity. 16 C.F.R. § 322.2, recodified as 12 C.F.R. § 1015.2.

7 162. Defendants are “mortgage assistance relief provider[s]” engaged in
8 the provision of “mortgage assistance relief services” as those terms are defined
9 in the MARS Rule, 16 C.F.R. § 322.2, recodified as Regulation O, 12 C.F.R.
10 § 1015.2.

11 163. The MARS Rule and Regulation O prohibit any mortgage assistance
12 relief service provider from misrepresenting, expressly or by implication, the
13 likelihood of negotiating, obtaining, or arranging any represented service or
14 result. 16 C.F.R. § 322.3(b)(1), recodified as 12 C.F.R. § 1015.3(b)(1).

15 164. The MARS Rule and Regulation O prohibit any mortgage assistance
16 relief service provider from failing to place a statement in every general
17 commercial communication disclosing that (i) the provider is not associated with
18 the government and its service is not approved by the government or any lender,
19 and (ii) in certain cases, a statement disclosing that the lender may not agree to
20 modify a loan, even if the consumer uses the provider’s service. 16 C.F.R.
21 §§ 322.4(a)(1)-(2), recodified as 12 C.F.R. §§ 1015.4(a)(1)-(2).

22 165. The MARS Rule and Regulation O prohibit any mortgage assistance
23 relief service provider from failing to place a statement in every consumer-
24 specific commercial communication (i) confirming that the consumer may stop
25 doing business with the provider or reject an offer of mortgage assistance without
26 having to pay for the services, (ii) disclosing that the provider is not associated
27 with the government and its service is not approved by the government or any
28 lender, and (iii) in certain cases, a statement disclosing that the lender may not

1 agree to modify a loan, even if the consumer uses the provider's service. 16
2 C.F.R. §§ 322.4(b)(1)-(3), recodified as 12 C.F.R. §§ 1015.4(b)(1)-(3).

3 166. The MARS Rule and Regulation O prohibit any mortgage assistance
4 relief service provider, in cases where the provider has represented that the
5 consumer should temporarily or permanently discontinue payments on a dwelling
6 loan, from failing to place a statement in every consumer-specific commercial
7 communication clearly and prominently, and in close proximity to any such
8 representation, that the consumer could lose his or her home and damage his or
9 her credit rating if the consumer stops paying the mortgage. 16 C.F.R.
10 § 322.4(c), recodified as 12 C.F.R. § 1015.4(c).

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

17 168. Pursuant to the Omnibus Act, § 626, 123 Stat. at 678, as clarified by
18 the Credit Card Act, § 511, 123 Stat. at 1763-64 and amended by the Dodd-Frank
19 Act, § 1097, 124 Stat. at 2102-03, 12 U.S.C. § 5538, and pursuant to Section
20 18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3), a violation of the MARS Rule or
21 Regulation O constitutes an unfair or deceptive act or practice in or affecting
22 commerce, in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

23 VIOLATIONS OF THE MARS RULE

24 COUNT VI

25 (All Defendants)

26 169. In numerous instances, in the course of providing mortgage
27 assistance relief services, Defendants have misrepresented, expressly or by
28 implication, material aspects of their services, including, but not limited to:

1 (a) Defendants' likelihood of obtaining a modification of
2 mortgage loans for consumers that will make their payments substantially
3 more affordable;

4 (b) Audit Defendants' likelihood of obtaining a modification of
5 mortgage loans for consumers that will make their payments substantially
6 more affordable as a result of a loan audit provided by Audit Defendants;
7 and

8 (c) Mass Joinder Defendants' likelihood of obtaining a
9 modification of mortgage loans for consumers that will make their
10 payments substantially more affordable or of otherwise obtaining favorable
11 mortgage concessions or stopping foreclosure by placing consumers in a
12 "mass joinder" lawsuit against their lender, in violation of the MARS Rule,
13 16 C.F.R. § 322.3(b)(1), and Regulation O, 12 C.F.R. § 1015.3(b)(1).

14 COUNT VII

15 (All Defendants)

16 170. In numerous instances, in the course of providing mortgage
17 assistance relief services, Defendants have failed to make the following
18 disclosures:

19 (a) in all general commercial communications –

20 (1) "[Name of Company] is not associated with the
21 government, and our service is not approved by the government or
22 your lender," in violation of the MARS Rule, 16 C.F.R.
23 § 322.4(a)(1), and Regulation O, 12 C.F.R. § 1015.4(a)(1); and

24 (2) "Even if you accept this offer and use our service, your
25 lender may not agree to change your loan," in violation of the
26 MARS Rule, 16 C.F.R. § 322.4(a)(2), and Regulation O, 12 C.F.R.
27 § 1015.4(a)(2);

28 (b) in all consumer-specific commercial communications –

1 (1) “You may stop doing business with us at any time.
2 You may accept or reject the offer of mortgage assistance we obtain
3 from your lender [or servicer]. If you reject the offer, you do not
4 have to pay us. If you accept the offer, you will have to pay us
5 [insert amount or method for calculating the amount] for our
6 services,” in violation of the MARS Rule, 16 C.F.R. § 322.4(b)(1),
7 and Regulation O, 12 C.F.R. § 1015.4(b)(1);

8 (2) “[Name of company] is not associated with the
9 government, and our service is not approved by the government or
10 your lender,” in violation of the MARS Rule, 16 C.F.R.
11 § 322.4(b)(2), and Regulation O, 12 C.F.R. § 1015.4(b)(2); and

12 (3) “Even if you accept this offer and use our service, your
13 lender may not agree to change your loan,” in violation of the
14 MARS Rule, 16 C.F.R. § 322.4(b)(3), and Regulation O, 12 C.F.R.
15 § 1015.4(b)(3); and

16 (c) in all general commercial communications, consumer-specific
17 commercial communications, and other communications in cases where
18 Defendants have represented, expressly or by implication, in connection
19 with the advertising, marketing, promotion, offering for sale, sale, or
20 performance of any mortgage assistance relief service, that the consumer
21 should temporarily or permanently discontinue payments, in whole or in
22 part, on a dwelling loan, clearly and prominently, and in close proximity to
23 any such representation that “If you stop paying your mortgage, you could
24 lose your home and damage your credit rating,” in violation of the MARS
25 Rule, 16 C.F.R. § 322.4(c), and Regulation O, 12 C.F.R. § 1015.4(c).

26 COUNT VIII

27 (All Defendants)

28 171. In numerous instances, in the course of providing mortgage

1 assistance relief services, Defendants ask for or receive their payment before
2 consumers have executed a written agreement between the consumer and the loan
3 holder or servicer that incorporates the offer obtained by Defendants, in violation
4 of the MARS Rule, 16 C.F.R. § 322.5(a) and Regulation O, 12 C.F.R.
5 § 1015.5(a).

6 CONSUMER INJURY

7 172. Consumers have suffered and will continue to suffer substantial
8 injury as a result of Defendants' violations of the FTC Act and the MARS Rule.
9 In addition, Defendants have been unjustly enriched as a result of their unlawful
10 acts or practices. Absent injunctive relief by this Court, Defendants are likely to
11 continue to injure consumers, reap unjust enrichment, and harm the public
12 interest.

13 THIS COURT'S POWER TO GRANT RELIEF

14 173. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this
15 Court to grant injunctive and such other relief as the Court may deem appropriate
16 to halt and redress violations of any provision of law enforced by the FTC. The
17 Court, in the exercise of its equitable jurisdiction, may award ancillary relief,
18 including rescission or reformation of contracts, restitution, the refund of monies
19 paid, and the disgorgement of ill-gotten monies, to prevent and remedy any
20 violation of any provision of law enforced by the FTC.

21 174. Section 19 of the FTC Act, 15 U.S.C. § 57b, and Section 626 of the
22 Omnibus Act authorize this Court to grant such relief as the Court finds necessary
23 to redress injury to consumers resulting from Defendants' violations of the
24 MARS Rule, including rescission and reformation of contracts and the refund of
25 money.

26 PRAYER FOR RELIEF

27 175. Wherefore, Plaintiff Federal Trade Commission, pursuant to
28 Sections 13(b) and 19 of the FTC Act, 15 U.S.C. §§ 53(b) and 57b, the Omnibus


1 Act, and the Court's own equitable powers, requests that the Court:

- 2 (a) Award Plaintiff such preliminary injunctive and ancillary relief as
3 may be necessary to avert the likelihood of consumer injury during
4 the pendency of this action, and to preserve the possibility of
5 effective final relief, including but not limited to a temporary
6 restraining order, a preliminary injunction, an order freezing assets,
7 immediate access, and appointment of a receiver;
- 8 (b) Enter a permanent injunction to prevent future violations of the FTC
9 Act and the MARS Rule/Regulation O by Defendants;
- 10 (c) Award such relief as the Court finds necessary to redress injury to
11 consumers resulting from Defendants' violations of the FTC Act and
12 the MARS Rule/Regulation O, including but not limited to
13 rescission or reformation of contracts, restitution, the refund of
14 monies paid, and the disgorgement of ill-gotten monies; and
- 15 (d) Award Plaintiff the costs of bringing this action, as well as such
16 other and additional relief as the Court may determine to be just and
17 proper.
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1 Dated: March 22, 2012

Respectfully submitted,

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