

IN THE MATTER OF:

**HOMEOWNERS FINANCIAL MITIGATION
INC.,**

Respondent.

**BEFORE THE MARYLAND
COMMISSIONER OF
FINANCIAL REGULATION**

Case No.: CFR-FY2011-068

FINAL ORDER TO CEASE AND DESIST

WHEREAS, the office of the Commissioner of Financial Regulation (the "Commissioner"), under the supervision of the Deputy Commissioner of Financial Regulation (the "Deputy Commissioner"), conducted an investigation into the credit services business activities of Homeowners Financial Mitigation Inc. (the "Respondent"); and

WHEREAS, as a result of that investigation, the Deputy Commissioner found evidence to support that Respondent has engaged in acts constituting a violation of a law over which the Commissioner has jurisdiction, namely that Respondent has violated various provisions of the Annotated Code of Maryland, including Commercial Law Article ("CL"), Title 14, Subtitle 19, (the Maryland Credit Services Businesses Act, hereinafter "MCSBA"), Financial Institutions Article ("FI"), Title 11, Subtitles 2 and 3, and Real Property Article ("RP"), Title 7, Subtitle 3 (Protection of Homeowners in Foreclosure Act, hereinafter "PHIFA"); and

WHEREAS, the Deputy Commissioner issued a Summary Order to Cease and Desist (the "Summary Order") against Respondent on August 2, 2011, after determining that Respondent was in violation of the aforementioned provisions of Maryland law, and that it was in the public interest that Respondent cease and desist from engaging in credit services

business activities and/or foreclosure consulting activities with Maryland residents, homeowners and/or consumers (hereinafter "Maryland consumers"), including directly or indirectly offering, contracting to provide, or otherwise engaging in, loan modification, loss mitigation, foreclosure consulting, or similar services related to residential real property (hereinafter "loan modification services"); and

WHEREAS, the Summary Order notified Respondent of, among other things, the following: that Respondent was entitled to a hearing before the Commissioner to determine whether the Summary Order should be vacated, modified, or entered as a final order of the Commissioner; that the Summary Order would be entered as a final order if Respondent did not request a hearing within 15 days of the receipt of the Summary Order; and that as a result of a hearing, or of Respondent's failure to request a hearing, the Commissioner may, in the Commissioner's discretion and in addition to taking any other action authorized by law, enter an order making the Summary Order final, issue penalty orders against Respondent, issue orders requiring Respondent to pay restitution and other money to consumers, as well as take other actions related to Respondent's business activities; and

WHEREAS, the Summary Order was properly served on Respondent via First Class U.S. Mail and Certified U.S. Mail; and

WHEREAS, Respondent failed to request a hearing on the Summary Order within the 15 day period set forth in FI § 2-115(a)(2) and RP § 7-319.1, and has not filed a request for a hearing as of the date of this Final Order to Cease and Desist (this "Final Order"); and

WHEREAS, the Commissioner has based his decision in this Final Order on the following determinations:

Maryland Credit Services Businesses Act

1. The MCSBA defines "*credit services business*" at CL § 14-1901(e); this provision provides, in part, as follows:

(1) "*Credit services business*" means any person who, with respect to the extension of credit by others, sells, provides, or performs, or represents that such person can or will sell, provide, or perform, any of the following services in return for the payment of money or other valuable consideration:

(i) Improving a consumer's credit record, history, or rating or establishing a new credit file or record;

(ii) Obtaining an extension of credit for a consumer; or

(iii) Providing advice or assistance to a consumer with regard to either subparagraph (i) or (ii) of this paragraph.

Additionally, CL § 14-1901(f) defines "*extension of credit*" as "the right to defer payment of debt or to incur debt and defer its payment, offered or granted primarily for personal, family, or household purposes."

2. Unless exempt, pursuant to CL §§ 14-1901(e), 14-1903(b), and 14-1901(f), persons engaged in the business of offering or providing residential loan modification services, which include offering or providing extensions of credit to consumers, fall under the statutory definition of "*credit services businesses*," and are thereby subject to the licensing, investigatory, enforcement, and penalty provisions of the MCSBA.

3. The following relevant and credible evidence, obtained pursuant to the Commissioner's investigation, was considered in the issuance of the Summary Order: Respondent's standard documents for providing loan modification services for Maryland consumers; communications between Respondent and a Maryland consumer; statements by a Maryland consumer who had entered into a loan modification agreement with Respondent but for whom Respondent failed to obtain or even attempt to obtain a loan modification; and

the Commissioner's licensing records. More particularly, this evidence supports the following findings:

a. Respondent is a purported business entity operating out of offices located in Phoenix, Arizona and Irvine, California. Respondent engaged in business activities with a Maryland consumer involving Maryland residential real property, although it is not a registered business entity in the State of Maryland.

b. Respondent advertised and marketed to Maryland consumers that Respondent could obtain loan modifications for homeowners on their residential mortgages. Further, Respondent entered into an agreement to provide loan modification services, which included obtaining extensions of credit as defined by the MCSBA, for a Maryland consumer on her residential mortgage loans.

c. In January 2010, [REDACTED] (the "Consumer"), who was in default on her Maryland residential mortgage loan, entered into a loan modification agreement with Respondent. The Consumer paid \$3,200 in up-front fees to Respondent in exchange for which Respondent represented that it would be able to obtain a loan modification for the Consumer. Although Respondent collected \$3,200 in up-front fees, Respondent never obtained a loan modification for the Consumer. Further, the Consumer requested a refund of the up-front fees, to which the Respondent has yet to provide a refund.

d. Respondent engaged in willful conduct which was intended to deceive and defraud the Consumer, which demonstrated a complete lack of good faith and fair dealing by Respondent, and which breached any duties that Respondent owed to the Consumer. Such conduct included, but was not limited to, the following:

(i). Respondent failed to perform those loan modification services for the Consumer that it promised to provide and for which it had collected up-front fees; and

(ii). Respondent refused to provide a full refund to the Consumer when refunds were due for lack of service.

4. In the present matter, Respondent is subject to the MCSBA, including its prohibition on engaging in credit services business activities without first being licensed under the MCSBA. *See* CL § 14-1902(1) ("[a] credit services business, its employees, and independent contractors who sell or attempt to sell the services of a credit services business shall not: (1) [r]eceive any money or other valuable consideration from the consumer, unless the credit services business has secured from the Commissioner a license under Title 11, Subtitle 3 of the Financial Institutions Article. . . ."); CL §14-1903(b) ("[a] credit services business is required to be licensed under this subtitle and is subject to the licensing, investigatory, enforcement, and penalty provisions of this subtitle and Title 11, Subtitle 3 of the Financial Institutions Article"); FI § 11-302 ("[u]nless the person is licensed by the Commissioner, a person may not: . . . (3) [e]ngage in the business of a credit services business as defined under Title 14, Subtitle 19 of the Commercial Law Article"); and FI § 11-303 ("[a] license under this subtitle shall be applied for and issued in accordance with, and is subject to, the licensing and investigatory provisions of Subtitle 2 of this title, the Maryland Consumer Loan Law – Licensing Provisions").

5. According to the Commissioner's records, at no time relevant to the facts set forth in the Summary Order of August 2, 2011, or in the present Final Order, has the Respondent been licensed by the Commissioner under the MCSBA.

6. Respondent has engaged in credit services business activities without having the requisite license by advertising that it could provide loan modification services as described above, and by entering into a contractual agreement with the Consumer to provide such services. Respondent's unlicensed loan modification activities thus constitute violations of CL § 14-1902(1), CL §14-1903(b), FI § 11-302, and FI § 11-303, thereby subjecting Respondent to the penalty provisions of the MCSBA.

7. Additionally, by collecting up-front fees prior to fully and completely performing all services on behalf of consumers, Respondent violated CL § 14-1902(6) of the MCSBA ("[a] credit services business, its employees, and independent contractors who sell or attempt to sell the services of a credit services business shall not: . . . (6) [c]harge or receive any money or other valuable consideration prior to full and complete performance of the services that the credit services business has agreed to perform for or on behalf of the consumer").

8. Further, although Respondent made representations that it would obtain a beneficial loan modification for the Consumer and provide a full refund of the up-front fee collected from the Consumer, the Commissioner's investigation supports a finding that Respondent never obtained the promised loan modification for the Consumer and failed to provide a refund to the Consumer; as such, Respondent violated CL § 14-1902(4) ("[a] credit services business, its employees, and independent contractors who sell or attempt to sell the services of a credit services business shall not: . . . (4) [m]ake or use any false or misleading representations in the offer or sale of the services of a credit services business").

9. Respondent further violated the MCSBA through the following: it failed to obtain the requisite surety bonds, in violation of CL §§ 14-1908 and 14-1909; it failed to

provide consumers with the requisite information statements, in violation of CL §§ 14-1904 and 14-1905; and Respondent failed to include all of the requisite contractual terms in its agreements with the Consumer required under CL § 14-1906.

10. By failing to obtain a beneficial loan modification for the Consumer and by failing to provide a refund of the up-front fee collected from the Consumer, which Respondent had agreed to provide, Respondent breached its contract with the Consumer and/or breached the obligations arising under that contract. Such breaches constitute *per se* violations of the MCSBA pursuant to CL § 14-1907(a) ("[a]ny breach by a credit services business of a contract under this subtitle, or of any obligation arising under it, shall constitute a violation of this subtitle").

11. As the loan modification contract between Respondent and the Consumer failed to comply with the specific requirements imposed by the MCSBA (as discussed above), it is void and unenforceable as against the public policy of the State of Maryland pursuant to CL § 14-1907(b) ("[a]ny contract for services from a credit services business that does not comply with the applicable provisions of this subtitle shall be void and unenforceable as contrary to the public policy of this State").

12. The MCSBA prohibits fraud and deceptive business practices at CL § 14-1902(5), which provides as follows:

[a] credit services business, its employees, and independent contractors who sell or attempt to sell the services of a credit services business shall not: . . . (5) [e]ngage, directly or indirectly, in any act, practice, or course of business which operates as a fraud or deception on any person in connection with the offer or sale of the services of a credit services business.

13. CL § 14-1912 discusses liability for failing to comply with the MCSBA, providing as follows:

(a) *Willful noncompliance.*— Any credit services business which willfully fails to comply with any requirement imposed under this subtitle with respect to any consumer is liable to that consumer in an amount equal to the sum of:

(1) Any actual damages sustained by the consumer as a result of the failure;

(2) A monetary award equal to 3 times the total amount collected from the consumer, as ordered by the Commissioner;

(3) Such amount of punitive damages as the court may allow; and

(4) In the case of any successful action to enforce any liability under this section, the costs of the action together with reasonable attorney's fees as determined by the court.

(b) *Negligent noncompliance.*— Any credit services business which is negligent in failing to comply with any requirement imposed under this subtitle with respect to any consumer is liable to that consumer in an amount equal to the sum of:

(1) Any actual damages sustained by the consumer as a result of the failure; and

(2) In the case of any successful action to enforce any liability under this section, the cost of the action together with reasonable attorney's fees as determined by the court.

14. Respondent engaged in acts which operated as a fraud or deception on an individual in connection with the offer or sale of the services of a credit services business, and thereby violated CL § 14-1902(5); such actions also constituted willful noncompliance with the MCSBA under CL § 14-1912(a). Respondent's fraudulent, deceptive, and willful conduct included the following: it failed to perform those loan modification services for the Consumer which it promised to provide and for which it had collected up-front fees; and Respondent refused to provide a full refund to the Consumer when such refund was due for lack of service.

Protection of Homeowners in Foreclosure Act

15. Under PHIFA, (specifically RP § 7-301(i)), the term "*homeowner*" is defined as "the record owner of a residence in default or a residence in foreclosure, or an individual occupying the residence under a use and possession order issued under Title 8, Subtitle 2 of the Family Law Article." Pursuant to RP § 7-301(j), the term "*residence in default*" refers to homeowner-occupied Maryland residential real property "on which the mortgage is at least 60 days in default," while pursuant to RP § 7-301(k), "*residence in foreclosure*" refers to homeowner-occupied Maryland residential real property "against which an order to docket or a petition to foreclose has been filed."

16. Pursuant to RP § 7-301(c), a "*foreclosure consultant*" is defined as a person who:

(1) Solicits or contacts a homeowner in writing, in person, or through any electronic or telecommunications medium and directly or indirectly makes a representation or offer to perform any service that the person represents will:

(i) Stop, enjoin, delay, void, set aside, annul, stay, or postpone a foreclosure sale;

(ii) Obtain forbearance from any servicer, beneficiary or mortgagee;

(iii) Assist the homeowner to exercise a right of reinstatement provided in the loan documents or to refinance a loan that is in foreclosure and for which notice of foreclosure proceedings has been published;

(iv) Obtain an extension of the period within which the homeowner may reinstate the homeowner's obligation or extend the deadline to object to a ratification;

(v) Obtain a waiver of an acceleration clause contained in any promissory note or contract secured by a mortgage on a residence in default or contained in the mortgage;

(vi) Assist the homeowner to obtain a loan or advance of funds;

(vii) Avoid or ameliorate the impairment of the homeowner's credit resulting from the filing of an order to docket or a petition to foreclose or the conduct of a foreclosure sale;

(viii) Save the homeowner's residence from foreclosure;

(ix) Purchase or obtain an option to purchase the homeowner's residence within 20 days of an advertised or docketed foreclosure sale; or

(x) Arrange for the homeowner to become a lessee or renter entitled to continue to reside in the homeowner's residence after a sale or transfer; or

(2) Systematically contacts owners of residences in default to offer foreclosure consulting services.

17. Unless otherwise exempt, the provisions of PHIFA apply to, *inter alia*, activities in which a person or business entity solicits, offers, sells, provides, or enters into an agreement to provide, residential mortgage loan modification services (a/k/a loss mitigation, foreclosure consulting, and similar services) pertaining to homeowner-occupied Maryland residential real property which is in default or in foreclosure.

18. The Deputy Commissioner's investigation revealed that the business activities of the Respondent are subject to PHIFA. By entering into a contract with the Consumer who was in default to provide residential mortgage loan modification services pertaining to homeowner-occupied Maryland residential real property, the Respondent acted as a "foreclosure consultant" under PHIFA (as that term is defined at RP § 7-301(c)), as she had entered into "foreclosure consulting contracts" with homeowners for the provision of "foreclosure consulting services" (as those terms are defined under RP §§ 7-301(d) and (e), respectively). As such, the Respondent is required to comply with all provisions of PHIFA applicable to foreclosure consultants.

19. Respondent failed to comply with the requirements of PHIFA. First, Respondent violated RP § 7-307(2) by requiring the Consumer to pay up-front fees prior to successfully obtaining a loan modification for the Consumer.

20. The Respondent also violated PHIFA by inducing the Consumer to enter into a foreclosure consulting agreement which lacked the notices of rescission and related information required under RP §§ 7-305 and 7-306(a)(6), (b), and (c), and thus the Respondent violated RP § 7-307(10) ("[a] foreclosure consultant may not . . . [i]nduce or attempt to induce any homeowner to enter into a foreclosure consulting contract that does not comply in all respects with [PHIFA])."

NOW, THEREFORE, having determined that Respondent waived its right to a hearing in this matter by failing to request a hearing within the time period specified in the Summary Order, and pursuant to CL §§ 14-1902, 14-1907, 14-1912, RP § 7-307, RP § 7-309, RP § 7-319.1, and FI § 2-115(b), it is by the Maryland Commissioner of Financial Regulation, hereby:

ORDERED that the Summary Order issued by the Deputy Commissioner against Respondents on August 2, 2011, is entered as a final order of the Commissioner as modified herein, and that Respondent shall permanently **CEASE** and **DESIST** from engaging in any further credit services business activities and/or foreclosure consultant activities with Maryland consumers, including contracting to provide, or otherwise engaging in loan modification services, foreclosure consulting, or similar services with Maryland consumers; and it is further

ORDERED that, pursuant to FI § 2-115(b) and RP § 7-319.1, and upon careful consideration of (i) the seriousness of the Respondent's violations; (ii) the lack of good faith of Respondent, (iii) the history of Respondent's violations; and (iv) the deleterious effect of Respondent's violations on the public and on the credit services businesses and mortgage

industries, Respondent shall pay to the Commissioner a total civil money penalty in the amount of \$3,000, which consists of the following:

<i>Prohibited Activity and Violation</i>	Penalty per Violation	x Number of Violations	= Penalty
<i>Unlicensed Activity in Violation of MCSBA</i>	\$1,000	1 Md. Consumer Transaction	\$1,000
<i>Charging Up-Front Fees in Violation of MCSBA</i>	\$1,000	1 Md. Consumer Transaction	\$1,000
<i>Charging Up-Front Fees in Violation of PHIFA</i>	\$1,000	1 Md. Consumer Transaction	\$1,000
		TOTAL	\$3,000

And it is further,

ORDERED that Respondent shall pay to the Commissioner, by cashier's or certified check made payable to the "Commissioner of Financial Regulation," the amount of \$3,000 within 15 days from the date of this Final Order; and it is further

ORDERED that, pursuant to CL § 14-1907(b), any loan modification agreement which Respondent entered into with a Maryland consumer is void and unenforceable as contrary to the public policy of the State of Maryland; and it is further


ORDERED that, pursuant to CL §§ 14-1902, 14-1907, and 14-1912, and RP § 7-319.1(c), Respondent shall pay restitution to the Consumer whom Respondent entered into a loan modification agreement; and that as Respondent's activities constituted willful noncompliance with the MCSBA, pursuant to CL § 14-1912(a) Respondent shall pay to the

Consumer an amount equal to **\$9,600.00**, which is equal to three times the amount collected from the Consumer, and it is further

ORDERED that Respondent shall pay the required monetary award pursuant to CL § 14-1912(a) to the Consumer within **30 days** of this Final Order being signed. Respondent shall make payment by mailing to the Consumer a check in the amount specified above via U.S. First Class Mail at the most recent address of the Consumer known to the Respondent. If the mailing of the payment is returned as undeliverable by the U.S. Postal Service, Respondent shall promptly notify the Commissioner in writing for further instruction as to the means of the making of said payment. Upon the making of the required payment, the Respondent shall furnish evidence of having made the payment to the Commissioner within **60 days of this Final Order** being signed, which evidence shall consist of a copy of the front and back of the cancelled check for each payment; and it is further

ORDERED that Respondent shall send all correspondence, notices, civil penalties and other required submissions to the Commissioner at the following address: Commissioner of Financial Regulation, 500 North Calvert Street, Suite 402, Baltimore, Maryland 21202, Attn: Proceedings Administrator.

6/5/12
Date



Mark A. Kaufman
Commissioner of Financial Regulation