

**IN THE MATTER OF:**  
**MELROSE LEGAL SERVICES and**  
**DUSTIN RANDALL MENDOZA,**

**BEFORE THE COMMISSIONER OF**  
**FINANCIAL REGULATION**

**RESPONDENTS**

**OAH No. DLR-CFR-76-19-12867**

**CFR: CFR-FY2019-07**

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**PROPOSED FINAL ORDER**

The Proposed Decision ("Proposed Decision") of the Administrative Law Judge (the "ALJ"), issued on September 11, 2019 in the above captioned case, having been received, read and considered, it is, by the Commissioner of Financial Regulation (the "Commissioner") this 19<sup>th</sup> of November, 2019 **ORDERED**,

A. That the charge for allegedly violating 12 C.F.R. §1015.3(b)(8) for misrepresenting, expressly or by implication that the consumer will receive legal representation (*see* CFR #3) is hereby dismissed without prejudice for failure to name Carl Bennett, Hardship Counselor ("Bennett") as a respondent, and failure to submit evidence that Bennett was acting as an agent of Respondents.

B. That the Findings of Fact ("FF") in the Proposed Decision be, and hereby are, **ADOPTED** except as **AMENDED** below:

1. FF 5, FF 6, FF 7 are deleted in their entirety; and
2. FF 12 and FF 13 are deleted in their entirety.

C. That the following additional finding of fact is **ADOPTED**:

Respondents deposited the Consumer's check on June 21, 2018 (CFR #5).

D. That pursuant to § 10-220(d) of the State Government Article, Annotated Code of Maryland, the Commissioner finds that the above-stated Findings of Fact in the Proposed Decision are **MODIFIED** for the following reasons:

1. FF 5, FF6, and FF7 are deleted because they are emails from Bennett who was not named as a respondent and no evidence was presented that Bennett was an agent of Respondents;

2. FF 12 is deleted because based on the Consumer's testimony, she sent an unsigned agreement to Respondents. Accordingly, there was no agreement between the Consumer and Respondents;

4. FF 13 is deleted because the no evidence was presented that the Consumer made a demand on Respondents to return her money.

D. That the Conclusions of Law in the Proposed Decision (Discussion) be, and hereby are, **ADOPTED** except as **AMENDED** below:

1. The ALJ's discussion in the second and third sentences in the second paragraph on page 10 is deleted.

2. The ALJ's discussion beginning with the second sentence in the last paragraph on page 10, continuing to the end of the first full paragraph on page 12 is deleted.

3. The ALJ's discussion in the third paragraph on page 12 is deleted in its entirety.

E. Pursuant to § 10-220(d) of the State Gov. Art., Ann. Code of Md. the Commissioner finds that the above described Conclusions of Law of the ALJ had to be modified because the ALJ considered facts that involved Bennett, who was not named as a Respondent, and an unsubstantiated fact that Bennett was an agent of Respondents, and are therefore not relevant to the violations alleged to have been committed by Respondents.

F. Penalties and Restitution.

After having considered the factors under Md. Code Ann., Fin. Inst. §2-115(c), and determined that: (1) the violation are serious, (2) Respondents' conduct showed the absence of good faith, (3) Respondents' actions had deleterious effect on the public and the industry, and (4) the Commissioner does not have any information regarding Respondents' history of previous violations or assets, the civil penalties in the Proposed Decision be, and hereby are **ADOPTED** except as **AMENDED** by reducing the civil penalty by \$1,000 from \$6,000 to \$5,000 based on the failure to name Bennett as a Respondent, and no evidence that the Respondents made the misrepresentation that the Consumer would receive legal representation.

(1) Respondents shall pay the Commissioner, by cashier's check or certified check made payable to the "Commissioner of Financial Regulation," the amount of \$5,000.00, in penalties, within twenty (20) days from the date of this Proposed Final Order;

(2) Respondents shall pay restitution to Consumer A in the amount of \$800.00. Respondents shall make payment by mailing to Consumer A a check in the amount of \$800.00 specified therein via First Class Mail, postage prepaid, at the most recent address of the Consumer known to the Respondents. If mailing is returned as nondeliverable, Respondents shall promptly notify the Commissioner in writing for further instruction as to the means of making said payment. Upon making the required payment, Respondents shall furnish a copy of

the front and back of the cancelled check for the payment to the Commissioner as evidence of having made payment, within sixty (60) days of the date of this Proposed Final Order;

G. Respondents shall immediately **CEASE AND DESIST** from all engaging in any further mortgage assistance relief services in the State of Maryland;

H. Respondents shall send all correspondence, notices, civil penalties, and other required submissions to the Commissioner at the following address: Commissioner of Financial Regulation, 500 N. Calvert Street, Suite 402, Baltimore, MD 21202, Attention: Proceedings Administrator; and

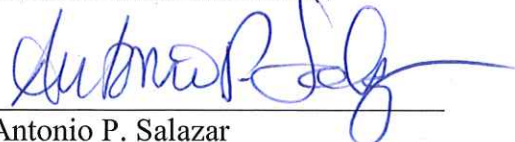
I. The records and publications of the Commissioner reflect the Proposed Final Order.

Pursuant to COMAR 09.01.03.09, Respondents have the right to file exceptions to the Proposed Final Order and present arguments to the Commissioner. Respondents have twenty (20) days from the postmark date of this Proposed Final Order to file exceptions with the Commissioner. COMAR 09.01.03.09A(1). Unless written exceptions are filed within the twenty (20)-day deadline noted above, this Order shall be deemed to be the final decision of the Commissioner and subject to judicial review pursuant to SG § 10-222.

Respondents may have the right to file a petition for judicial review; however, the filing of a petition for judicial review does not automatically stay the enforcement of this order.

**MARYLAND COMMISSIONER OF  
FINANCIAL REGULATION**

Date: November 19, 2019

By:   
Antonio P. Salazar  
Commissioner of Financial Regulation

MARYLAND COMMISSIONER OF  
FINANCIAL REGULATION

v.

MELROSE LEGAL SERVICES and  
DUSTIN RANDALL MENDOZA,  
RESPONDENTS

\* BEFORE GERALDINE A. KLAUBER,  
\* AN ADMINISTRATIVE LAW JUDGE  
\* OF THE MARYLAND OFFICE OF  
\* ADMINISTRATIVE HEARINGS  
\* OAH NO.: DLR-CFR-76-19-12867  
\* CFR NO.: FY2019-07

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**FILE EXHIBIT LIST**

The CFR offered the following exhibits which were admitted as evidence:

CFR #1 – California Secretary of State Business Search

CFR #2 – Notice of Hearing, May 7, 2019

CFR #3 – Statement of Charges and Order for Hearing, April 16, 2019

CFR #4 – Service Fee Agreement, June 8, 2019

CFR #5 – Check made payable to Melrose Legal Services in the amount of \$800.00, June  
20, 2018

CFR #6 – Complaint of [REDACTED], July 15, 2018

CFR #7 – Email correspondence received by [REDACTED] from Respondents, June 18 and  
June 19, 2018

CFR #8 – CFR Enforcement Unit Report, October 29, 2018

MARYLAND COMMISSIONER OF  
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**PROPOSED DECISION**

STATEMENT OF THE CASE  
ISSUES  
SUMMARY OF THE EVIDENCE  
FINDINGS OF FACT  
DISCUSSION  
CONCLUSIONS OF LAW  
RECOMMENDED ORDER

**STATEMENT OF THE CASE**

On or about April 16, 2019, the Deputy Commissioner of the Office of Commissioner of Financial Regulation (CFR) issued a Statement of Charges against Melrose Legal Services (Respondent Melrose) and Dustin Randall Mendoza (Respondent Mendoza) alleging that they violated various provisions of the Real Property Article of the Annotated Code of Maryland, specifically sections 7-501 through 7-511 (Maryland Mortgage Assistance Relief Services Act, or MARS) related to loan modification services and mortgage assistance relief service activities.<sup>1</sup>

The Statement of Charges further asserted that the CFR may enforce these provisions by issuing an order requiring the Respondents to cease and desist from these violations and further similar violations, and requiring affirmative action to correct the violations. In addition, the Statement of Charges further stated that the CFR may impose a civil monetary penalty up to the

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<sup>1</sup> Unless otherwise noted, all references to the Real Property Article are to the 2015 Replacement Volume and 2018 Supplement.

maximum amount of \$1,000.00 for the first violation and up to the maximum amount of \$5,000.00 for each subsequent violation.

On April 18, 2019, the CFR referred this case to the Office of Administrative Hearings (OAH), delegating to OAH the authority to conduct a hearing and to issue proposed findings of fact, proposed conclusions of law, and a recommended order to determine whether, and to what extent, various authorized remedies and sanctions might be appropriate.

On May 7, 2019, the OAH issued hearing notices to the parties at their respective addresses of record. On June 27, 2019, I convened a hearing at the OAH. Fin. Inst. § 2-115(a) (2011).<sup>2</sup> Sophie Askie, Assistant Attorney General, represented the CFR. Neither the Respondents nor anyone on their behalf appeared for the hearing. I proceeded in the Respondents' absence. Md. Code Ann., State Gov't §10-208(b)(6); Code of Maryland Regulations (COMAR) 28.02.01.23.

The contested case provisions of the Administrative Procedure Act, the hearing regulations of the Department of Labor (DOL), and OAH's Rules of Procedure govern the procedures in this case. Md. Code Ann., State Gov't §§ 10-201 through 10-226 (2014 & Supp. 2018); COMAR 09.01.03; 28.02.01.

### ISSUES

1. Did the Respondents engage in the following conduct, in violation of the Code of Federal Regulations (C.F.R.) and MARS:
  - a. Misrepresenting, expressly or by implication, any material aspect of any mortgage assistance relief service, including but not limited to that a mortgage relief service is

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<sup>2</sup> Unless otherwise noted, all references to the Financial Institutions Article are to the 2011 Replacement Volume and 2018 Supplement.

affiliated with, endorsed or approved by, or otherwise associated with the United States government or any governmental homeowner assistance plan;<sup>3</sup>

b. Misrepresenting, expressly or by implication, any material aspect of any mortgage assistance relief service, including but not limited to that the mortgage assistance relief provider has completed the represented services or has a right to claim, demand, charge, collect, or receive payment or other consideration;<sup>4</sup>

c. Misrepresenting, expressly or by implication, that the consumer will receive legal representation;<sup>5</sup>

d. Failing to place the following statements in every general commercial communication for any mortgage relief service in a clear and prominent manner preceded by the heading "IMPORTANT NOTICE" in a bold face font that is two point-type larger the font size of the required disclosures:

- "(Name of Company) is not associated with the government, and our service is not approved by the government or your lender."; and
- "Even if you accept this offer and use our service, your lender may not agree to change your loan."<sup>6</sup>

e. Failing to disclose the following information in every consumer-specific commercial communication for any mortgage assistance relief service in a clear and prominent manner, preceded by the heading "IMPORTANT NOTICE" in a bold face font that is two point-type larger the font size of the required disclosures:

- "You may stop doing business with us at any time. You may accept or reject the offer of mortgage assistance we obtain from your lender [or servicer]. If you reject the

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<sup>3</sup> 12 C.F.R. § 1015.3(b)(3).

<sup>4</sup> 12 C.F.R. § 1015.3(b)(7).

<sup>5</sup> 12 C.F.R. § 1015.3(b)(8).

<sup>6</sup> 12 C.F.R. § 1015.4(a).



offer, you do not have to pay us. If you accept the offer, you will have to pay us (insert amount or method for calculating the amount) for our services.”;

- “(Name of company) is not associated with the government, and our service is not approved by the government or your lender.”; and

- “Even if you accept this offer and use our service, your lender may not agree to change your loan.”<sup>7</sup>

f. Receiving payment before the consumer has executed a written agreement with his or her loan holder or servicer;<sup>8</sup>

g. Failing to disclose, at the time the mortgage assistance relief service provider furnishes the consumer with the written agreement specified in paragraph (a) of this section, the following information: “This is an offer of mortgage assistance we obtained from your lender [or servicer]. You may accept or reject the offer[.]”<sup>9</sup>

2. What, if any, sanctions should be imposed?

3. Did the Respondents engage in the following conduct, in violation of the Code of Federal Regulations (C.F.R.) and MARS?

a. Misrepresenting, expressly or by implication, any material aspect of any mortgage assistance relief service, including but not limited to that a mortgage relief service is affiliated with, endorsed or approved by, or otherwise associated with the United States government or any governmental homeowner assistance plan;<sup>10</sup>

b. Misrepresenting, expressly or by implication, any material aspect of any mortgage assistance relief service, including but not limited to that the mortgage assistance relief provider has completed the represented services or has a right to claim, demand, charge, collect, or receive payment or other consideration;<sup>11</sup>

c. Misrepresenting, expressly or by implication, that the consumer will receive legal representation;<sup>12</sup>

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<sup>7</sup> 12 C.F.R. § 1015.4(b).

<sup>8</sup> 12 C.F.R. § 1015.5(a).

<sup>9</sup> 12 C.F.R. § 1015.5(b).

<sup>10</sup> 12 C.F.R. § 1015.3(b)(3).

<sup>11</sup> 12 C.F.R. § 1015.3(b)(7).

<sup>12</sup> 12 C.F.R. § 1015.3(b)(8).

d. Failing to place the following statements in every general commercial communication for any mortgage relief service in a clear and prominent manner preceded by the heading "IMPORTANT NOTICE" in a bold face font that is two point-type larger the font size of the required disclosures:

- "(Name of Company) is not associated with the government, and our service is not approved by the government or your lender."; and
- "Even if you accept this offer and use our service, your lender may not agree to change your loan."<sup>13</sup>

e. Failing to disclose the following information in every consumer-specific commercial communication for any mortgage assistance relief service in a clear and prominent manner, preceded by the heading "IMPORTANT NOTICE" in a bold face font that is two point-type larger the font size of the required disclosures:

- "You may stop doing business with us at any time. You may accept or reject the offer of mortgage assistance we obtain from your lender [or servicer]. If you reject the offer, you do not have to pay us. If you accept the offer, you will have to pay us (insert amount or method for calculating the amount) for our services.";
- "(Name of company) is not associated with the government, and our service is not approved by the government or your lender."; and
- "Even if you accept this offer and use our service, your lender may not agree to change your loan."<sup>14</sup>

f. Receiving payment before the consumer has executed a written agreement with his or her loan holder or servicer;<sup>15</sup>

g. Failing to disclose, at the time the mortgage assistance relief service provider furnishes the consumer with the written agreement specified in paragraph (a) of this section, the following information: "This is an offer of mortgage assistance we obtained from your lender [or servicer]. You may accept or reject the offer[.]"<sup>16</sup>

4. What, if any, sanctions should be imposed?

#### SUMMARY OF THE EVIDENCE

##### Exhibits

The CFR offered the following exhibits which were admitted as evidence:

CFR #1 – California Secretary of State Business Search

CFR #2 – Notice of Hearing, May 7, 2019

CFR #3 – Statement of Charges and Order for Hearing, April 16, 2019

<sup>13</sup> 12 C.F.R. § 1015.4(a).

<sup>14</sup> 12 C.F.R. § 1015.4(b).

<sup>15</sup> 12 C.F.R. § 1015.5(a).

<sup>16</sup> 12 C.F.R. § 1015.5(b).

CFR #4 – Service Fee Agreement, June 8, 2019

CFR #5 – Check made payable to Melrose Legal Services in the amount of \$800.00, June 20, 2018

CFR #6 – Complaint of [REDACTED], July 15, 2018

CFR #7 – Email correspondence received by [REDACTED] from Respondents, June 18 and June 19, 2018

CFR #8 – CFR Enforcement Unit Report, October 29, 2018

### Testimony

The following witnesses testified on behalf of the CFR:

Zenaida Valez-Dorsey, Financial Fraud Investigator;

[REDACTED] Consumer

### FINDINGS OF FACT

I find the following facts by a preponderance of the evidence:

1. Respondent Melrose was established as a corporation in California in October 2017. The address for its designated California office was 12041 Cole Street, Apt. 1, Garden Grove, California, 92841.
2. The Respondent Melrose operates out of the principal business address 5062 Lankeshin Blvd. No. 602, North Hollywood, California.
3. Respondent Mendoza was identified as the Chief Executive Officer, Secretary and Chief Financial Officer for the Respondent Melrose.
4. In June 2018 [REDACTED] (Consumer), a resident of [REDACTED], was interested in obtaining a modification of her existing home loan with PHH Home Loans, LLC. The Consumer was not yet in default on her mortgage payments.

5. The Consumer located the Respondents through an internet search. The Consumer's initial contact with the Respondents was over the telephone.
6. The Consumer received a June 18, 2018 email from the Respondents' agent regarding assistance with modification of her existing home loan with PHH Mortgage. According to the email, if the Consumer is negotiating with the lender with legal representation, the foreclosure process must be suspended or halted until the parties reach a mutual resolution. The Respondent's misrepresent that the cessation of the foreclosure process is mandated by a federal "dual tracking" law. A federal dual tracking law does not exist.
7. The June 18, 2018 email from the Respondents to the Consumer represented that four legal steps would be taken by the Respondents on behalf of the Consumer to restructure the loan. The alleged steps consisted of a federal regulatory complaint, legal demand letter, legal draft complaint and cease and desist.
8. On June 18, 2018, the Respondent Melrose emailed to the Consumer a Service Fee Agreement (Agreement), dated June 18, 2018. This form included a contractual agreement that the Consumer would pay Respondent Melrose a non-refundable flat fee of \$4,000.00, to be paid in five monthly installments at \$800.00. The Respondent Melrose instructed the Consumer to send the \$4,000.00 fee by five postdated checks via Fed-ex shipping using the provided pre-paid postage label.
9. In a June 19, 2018 email from the Respondent Melrose to the Consumer, the Respondent instructed the Consumer to ignore all further contact from the Consumer's lender.
10. On or about June 20, 2018, the Consumer submitted the unsigned Agreement and a check made payable to the Respondent Melrose in the amount of \$800.00.

11. The scope of services covered by the Agreement consisted of the following:
  - Drafting of Federal Reserve Consumer Complaint against the Lender;
  - Properly filling out forms and documents; and
  - Working with the client to help them achieve resolution with their lender.
12. The Respondent failed to perform any services on behalf of the Consumer.
13. The Respondent failed to return any monies to the Consumer.

### DISCUSSION

#### *Notice*

The Respondent failed to appear at the hearing. CFR's Financial Fraud investigator testified regarding the steps taken to locate the Respondents. Ms. Valez-Dorsey testified that her search with the Maryland Department of Assessment and Taxation established that the business was not registered in Maryland. She performed a Google search and discovered that the Better Business Bureau listed the business as closed. Upon further investigation, however, she determined that the business was not closed but had changed its business address. The Consumer provided the CFR with the address of the Respondents as 5062 Lankershin Blvd., No. 602, North Hollywood, California 91601. The Lankershin address provided by the Consumer was a mailbox business and not an actual business location in Hollywood, California. A business search through the California Secretary of State reflected Respondents' business address of 12041 Cole Street, Apt. 1, Garden Grove, California 92841. Ms. Valez Dorsey's further research uncovered that Dustin Randall Mendoza was the owner/agent of the business and his listed address was 2145 W. Ontario Avenue, Corona, California 92882.

The CFR presented evidence that the Notice of Hearing was sent to the Lankershin Blvd, Cole Street and Ontario Avenue addresses. The Notices were sent both to Respondent Melrose Legal Services and Dustin Randall Mendoza.

A certified mail return receipt card for the Notice sent to the Ontario Avenue address was returned to OAH with the notation that the forwarding time had expired. A certified mail receipt card for the Cole Street address was returned to OAH as "unclaimed." The certified mail receipt cards for the Notices sent to the Lankershin Blvd. address were returned to OAH with the notations "Vacant" and "Unable to Forward."

I am satisfied that every effort was made to provide the Respondents with notice of the hearing. Therefore, I proceeded with the hearing in the absence of the Respondents. COMAR 28.02.01.23.

#### *Violations*

On August 8, 2018, the CFR received a complaint from the Consumer that in June 2018 she contacted the Respondents regarding loan modification services. The Consumer stated that she entered into a service agreement with the Respondents which demanded she pay an upfront fee of \$800.00 and four additional installment payments of \$800.00 per month for a total of \$4,000.00. The Consumer sent the Respondents one check in the amount of \$800.00, but did not receive any loan modification services from the Respondents. The Respondents did not refund the Consumer \$800.00.

As a result of the complaint, the CFR launched an investigation into the Respondents' actions. According to the CFR, that investigation revealed that the Respondents made false representations, improperly collected an upfront fee, failed to make required disclosures, and failed to provide promised services. The Commissioner alleges that the Respondents actions associated with the Consumer violated MARS. Section 7-502 of MARS provides:

A mortgage assistance relief service provider providing mortgage assistance relief service in connection with a dwelling in the State that does not comply with 12 C.F.R. §§ 1015.1 through 105.11 and any subsequent revision of those regulations is in violation of the subtitle.

The CFR cited the Respondents for violating C.F.R. § 1015.3, which prohibits certain representations. Specifically, CFR charges the Respondents with violating § 1015.3(b) which prohibits the Respondents from misrepresenting the following:

(3) That a mortgage assistance relief service is affiliated with, endorsed or approved by, or otherwise associated with:

- (i) The United States government,
- (ii) Any governmental homeowner assistance plan,

...

(7) That the mortgage assistance relief service provider has completed the represented services or has a right to claim, demand, charge, collect, or receive payment or other consideration[.]

...

(8) The consumer will receive legal representation[.]

...

In support of its case, the CFR presented testimony from the Consumer. According to the Consumer, in 2018 she had difficulty making her mortgage payments but her home was not yet in foreclosure. She testified that she found the Respondents through an internet search. The Respondents' advertised mortgage assistance services sounded like something from which she could benefit. The Consumer initially contacted the Respondents by telephone and subsequent to her phone conversation, she only communicated with the Respondents by email.

The CFR offered into evidence the email exchanges between the Consumer and the Respondents. The first email exchange is dated June 15, 2018 and is between the Consumer and Carl Bennett, Hardship Counselor, Free Information Organization. The email stated that he is following up on his conversation with the Consumer and he stated that he was searching for a "legal team" which has a program that will focus on reducing [her] mortgage payment based on government guidelines." (CFR Ex. 7). A second email from Mr. Bennett to the Consumer, dated June 18, 2018, stated that he would have a program match for the Consumer within twenty-four hours. Later in the day, the Consumer received a third email from Mr. Bennett.

This email informed the Consumer that his organization has over 300 legal service providers built into its professional network across the nation and based on the Respondents' experience dealing specifically with the Consumer's lender, he recommended that the Consumer use the Respondents' services. (CFR Ex. 7).

Mr. Bennett, who held himself out to the Consumer as a hardship counselor with the Free Information Organization, disseminated to the Consumer the information regarding the services the Respondents would provide to her. Although the CFR provided no explanation as to Mr. Bennett's connection with the Respondents, it is reasonable to infer that Mr. Bennett was an agent of the Respondents and acting on behalf of the Respondents in connection with the Consumer. Mr. Bennett's June 18, 2018 email to the Consumer supports this inference. The email made very specific representations regarding the Respondents' qualifications, experience and services. Furthermore, the Respondent Melrose's June 19, 2018 email to the Consumer instructed the Consumer to directly contact Mr. Bennett with any additional questions she may have regarding the Respondents' mortgage assistance services. Additionally, Mr. Bennett forwarded to the Consumer the Agreement as well as the envelope and pre-paid return shipping label.

Mr. Bennett's June 18, 2018 email touted the Respondents' qualifications and achievements in assisting home owners obtain "new loans" that "lower the monthly payment," "lower the interest rate," "bring all late payments to current" as well as "reduce principal." The email further misrepresented that the Respondents loan modification services were performed in accordance with the federal "dual tracking" law that "was signed by President Obama and became effective January 10, 2014." (CFR Ex. 7). According to the Respondents, the "dual tracking" law "strictly limits the ability of lenders to foreclose a home while negotiating a new loan with legal representation." The Respondents further misrepresented that the Consumer's



home was “in a ‘Full Legal Protection’ under the ‘Dual Tracking’ law during the 5 months of continuous interaction with the lender freezing any activity on a foreclosure or sale while the case is being legally negotiated with the lender’s executives in the legal department.” (CFR Ex. 7).

The Respondents’ statements regarding its provision of loan restructuring services in conjunction with a non-existing federal “dual tracking law” misrepresented to the Consumer that the Respondents’ loan modification services are approved by or associated with the U.S. government, which is a violation of C.F.R § 1015.3(b)(3).

The Respondents also violated C.F.R § 1015.3(b)(7) when the Respondents represented to the Consumer that they had the right to collect an \$800.00 fee upfront in order to begin the loan modification process.

The last provision of C.F.R § 1015.3 violated by the Respondents is contained in subsection (b)(8) of the regulation. The Respondents represented to the Consumer that the Respondents would provide her with legal services. The Respondents’ June 18, 2018 email spelled out the four specific legal steps the Respondents would take toward achieving a restructured loan for the Consumer. These steps were a federal regulatory complaint, a legal demand letter, draft a legal complaint, and cease and desist. The Consumer did not receive any legal services from the Respondent and there is nothing in the record to even suggest that the Respondents were qualified to provide the Consumer with any legal services.

The CFR contends that the Respondents’ Agreement with the Consumer also violated the disclosure requirements of C.F.R. § 1015.4. Pursuant to the regulations, a mortgage assistance relief service provider is required to make certain conspicuous disclosures in its “commercial communications” with a consumer. A “commercial communication” is “any written or oral statement, illustration, or depiction . . . that is designed to effect a sale or create interest in

purchasing any service, plan, or program . . . .” 12 C.F.R. §1015.2. Promotional materials and web pages are included in the term. *Id.*

A “commercial communication” can be either “general” or “consumer specific.” A “general” commercial communication is one that occurs before the consumer and the mortgage assistance relief service provider enter into any agreement and it is not directed at a certain consumer. 12 C.F.R. §1015.2. A “consumer specific” commercial communication is one that occurs before the consumer and the mortgage assistance relief service provider enter into any agreement and it is directed at a certain consumer. 12 C.F.R. §1015.2.

Although the CFR has charged the Respondents with violating 12 C.F.R. 1015.4(a), which deals with general commercial communications, all of the evidence introduced by the CFR indicates that the Respondents’ communications were only directed at this particular consumer. Therefore, I do not find that the CFR established that the Respondents violated 12 C.F.R. 1015.4(a).

The Respondent did, however, violate 12 C.F.R. 1015.4(b), which addresses consumer specific commercial communication and provides, in pertinent part:

*(b) Disclosures in All Consumer-Specific Commercial Communications—Failing to disclose the following information in every consumer-specific commercial communication for any mortgage assistance relief service:*

- (1) “You may stop doing business with us at any time. You may accept or reject the offer of mortgage assistance we obtain from your lender [or servicer]. If you reject the offer, you do not have to pay us. If you accept the offer, you will have to pay us (insert amount or method for calculating the amount) for our services.” For the purposes of this paragraph (b)(1), the amount “you will have to pay” shall consist of the total amount the consumer must pay to purchase, receive, and use all of the mortgage assistance relief services that are the subject of the sales offer, including, but not limited to, all fees and charges.
- (2) “(Name of company) is not associated with the government, and our service is not approved by the government or your lender.”

(3) In cases where the mortgage assistance relief provider has represented, expressly or by implication, that consumers will receive any service or result set forth in paragraphs (2) through (6) of the definition of Mortgage Assistance Relief Service in § 1015.2, "Even if you accept this offer and use our service, your lender may not agree to change your loan."  
"

(4) The disclosures required by this paragraph must be made in a clear and prominent manner, and --

(i) In textual communications the disclosures must appear together and be preceded by the heading "IMPORTANT NOTICE," which must be in bold face font that is two point-type larger than the font size of the required disclosures; and

(ii) In communications disseminated orally or through audible means, wholly or in part, the audio component of the required disclosures must be preceded by the statement "Before using this service, consider the following information" and, in telephone communications, must be made at the beginning of the call.

...

These required disclosures are very specific. The Respondents' Agreement contains general language that the Respondents are not associated with the government and not "endorsed" by the lender or government. The Agreement, however, does not include any provisions regarding the Consumer's right to stop doing business with the Respondents at any time. Nor does the Agreement include a provision that the Consumer had the right to reject any offer received from the lender and not have to pay the Respondents. The Agreement contains a statement that the Respondents did not guarantee the Lender may "help" the Consumer's loan.

Not only were the disclosures used by the Respondents not written in the precise terms required by the regulation, but the disclosures were not preceded by the required heading "IMPORTANT NOTICE" in bold face font and in two point-type larger than the font size of the required disclosures.

The CFR has also charged the Respondents with violation C.F.R. § 1015.5, which prohibits collection of any payments from the Consumer in advance of a written agreement between the Consumer and the lender. The regulation provides in relevant part:

It is a violation of this rule for any mortgage assistance relief service provider to:

(a) Request or receive payment of any fee or other consideration until the consumer has executed a written agreement between the consumer and the consumer's dwelling loan holder or servicer incorporating the offer of mortgage assistance relief the provider obtained from the consumer's dwelling loan holder or servicer;

The Respondents did not include in their written agreement, nor did they orally communicate to the Consumer, the following required disclosure set forth in C.F.R. § 1015.5(b):

(b) Fail to disclose, at the time the mortgage assistance relief service provider furnishes the consumer with the written agreement specified in paragraph (a) of this section, the following information: "This is an offer of mortgage assistance we obtained from your lender [or servicer]. You may accept or reject the offer. If you reject the offer, you do not have to pay us. If you accept the offer, you will have to pay us [same amount as disclosed pursuant to §1015.4(b)(1)] for our services." The disclosure required by this paragraph must be made in a clear and prominent manner, on a separate written page, and preceded by the heading: "IMPORTANT NOTICE: Before buying this service, consider the following information." The heading must be in bold face font that is two point-type larger than the font size of the required disclosure;

### *Sanctions*

As relief, the CFR seeks a civil penalty, restitution and a final cease and desist order as provided for under Md. Code Ann., Fin. Inst. § 2-115(b).

To determine the appropriate civil penalty for the Respondents' violations, the statute offers some guidance. Md. Code Ann., Fin. Inst. § 2-115(c) set forth specific factors to consider in determining an appropriate penalty. The statute lists the following factors to be considered:

- (1) The seriousness of the violation;
- (2) The good faith of the violator;
- (3) The violator's history of previous violations;
- (4) The deleterious effect of the violation on the public and the industry involved;
- (5) The assets of the violator; and
- (6) Any other factors relevant to the determination of the financial penalty.

Although there was no evidence of previous violations, the following violations committed were serious. The Respondents told the consumer not to contact her lender in violation of 12 C.F.R. §1015.3(a), told her to pay them up front fees in violation of 12 C.F.R. §1015.3(b). In addition, the Respondents received payments for services before the statutory and regulatory schemes allowed the receipt of fees. 12 C.F.R. §1015.5(a); and the Respondents failed to make the required disclosures when communicating with the consumer in violation of 12 C.F.R. §1015.4(c). The record contained no evidence of good faith on the part of the Respondents. Given the seriousness of the violations, the substantial harm suffered by the Consumer and the absence of any good faith on the part of the Respondents, I find that the CFR's recommendation of the imposition of the maximum penalty of \$1,000.00 for the five violations included in the Statement of Charges and supported at the hearing is appropriate. Furthermore, restitution in the amount of \$800.00 to the Consumer is appropriate, as is a cease and desist order.

### CONCLUSIONS OF LAW

Based upon the foregoing Findings of Fact and Discussion, I conclude that the CFR has met its burdens to show that the Respondents violated Md. Code Ann., Real Prop. §7-502 by violating 12 C.F.R. §1015.3(b)(3), (7) and (8), 12 C.F.R. §1015.4(b), and 12 C.F.R. §1015.5(a) and (b) as set forth above.

I further conclude that the specific sanctions and remedies requested by the CFR are authorized by law and appropriate. Md. Code Ann., Fin. Inst. § 2-115 and Md. Code Ann., Real Property § 7-506.

### RECOMMENDED ORDER

I **RECOMMEND** that the Commissioner of Financial Regulation issue an order as follows:

**ORDERED** that the record reflect that the Respondents violated the various statutes and regulations, as further set forth above, and it is further

**ORDERED** that within 30 days the Respondents pay to the State of Maryland \$800.00 to be used as restitution for the Consumer, and it is further


**ORDERED** that within 30 days the Respondents pay to the State of Maryland \$5,000.00 in penalties, and it is further

**ORDERED** that the Respondents cease and desist engaging in any conduct within the State of Maryland that violates the statutes and rules cited above, and it is further

**ORDERED** that the records and publications of the Maryland Commissioner of Financial Regulation reflect this decision.

September 11, 2019  
Date Decision Issued

GAK/sw  
#181142

  
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Geraldine A. Klauber  
Administrative Law Judge

MARYLAND COMMISSIONER OF  
FINANCIAL REGULATION

v.

MELROSE LEGAL SERVICES and  
DUSTIN RANDALL MENDOZA,  
RESPONDENTS

\* BEFORE GERALDINE A. KLAUBER,  
\* AN ADMINISTRATIVE LAW JUDGE  
\* OF THE MARYLAND OFFICE OF  
\* ADMINISTRATIVE HEARINGS  
\* OAH NO.: DLR-CFR-76-19-12867  
\* CFR NO.: FY2019-07

\* \* \* \* \*

FILE EXHIBIT LIST

The CFR offered the following exhibits which were admitted as evidence:

CFR #1 – California Secretary of State Business Search

CFR #2 – Notice of Hearing, May 7, 2019

CFR #3 – Statement of Charges and Order for Hearing, April 16, 2019

CFR #4 – Service Fee Agreement, June 8, 2019

CFR #5 – Check made payable to Melrose Legal Services in the amount of \$800.00, June  
20, 2018

CFR #6 – Complaint of [REDACTED] July 15, 2018

CFR #7 – Email correspondence received by [REDACTED] from Respondents, June 18 and  
June 19, 2018

CFR #8 – CFR Enforcement Unit Report, October 29, 2018