

State of California ~ Department of Justice  
**OFFICE of the ATTORNEY GENERAL**  
KAMALA D. HARRIS

## News Release

August 18, 2011

FOR IMMEDIATE RELEASE

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### *Attorney General Kamala D. Harris Sues Law Firms Engaged in National "Mass Joinder" Mortgage Fraud*

SAN FRANCISCO --- Attorney General Kamala D. Harris today announced that the California Department of Justice, in conjunction with the State Bar of California, has sued multiple entities accused of fraudulently taking millions of dollars from thousands of homeowners who were led to believe they would receive relief on their mortgages.

Attorney General Harris sued Philip Kramer, the Law Offices of Kramer & Kaslow, two other law firms, three other lawyers, and 14 other defendants who are accused of working together to defraud homeowners across the country through the deceptive marketing of "mass joinder" lawsuits. "Mass joinder" lawsuits are lawsuits with hundreds, or more, individually named plaintiffs. This is the first consumer action by the Attorney General's Mortgage Fraud Strike Force.

Kramer's firm and other defendants were placed into receivership on Monday, Aug. 15. The legal actions were designed to shut down a scheme operated by attorneys and their marketing partners, in which defendants used false and misleading representations to induce thousands of homeowners into joining the mass joinder lawsuits against their mortgage lenders. Defendants also had their assets seized and were enjoined from continuing their operations. Nineteen DOJ special agents participated as the firms were taken over Wednesday, Aug. 17, along with 42 agents and other personnel from HUD's Office of Inspector General, the California State Bar, and the Office of Receiver Thomas McNamara at 14 locations in Los Angeles and Orange Counties. Sixteen bank accounts were seized.

"The defendants in this case fraudulently promised to win prompt mortgage relief for millions of vulnerable homeowners across the country," said Attorney General Harris. "Innocent people, already battered by the housing crisis, were targeted for fraud in their moment of distress."

"The number of lawyers who have tried to take advantage of distressed homeowners in these tough economic times is nothing short of shocking," said State Bar President William Hebert. "By taking over the practices of four attorneys accused of fraudulent marketing practices, the State Bar can put a stop to their deplorable conduct as part of our ongoing effort to protect the public."

It is believed that at least two million pieces of mail were sent out by defendants to victims in at least 17 states. Defendants' revenue from this scam is estimated to be in the millions of dollars.

As alleged in the lawsuit, defendants preyed on desperate homeowners facing foreclosure by selling them participation as plaintiffs in mass joinder lawsuits against mortgage lenders. Defendants deceptively led homeowners to believe that by joining these lawsuits, they would stop pending foreclosures, reduce their loan balances or interest rates, obtain money damages, and even receive title to their homes free and clear of their existing mortgage. Defendants charged homeowners retainer fees of up to \$10,000 to join as plaintiffs to a mass joinder lawsuit against their lender or loan servicer.

Consumers who paid to join the mass joinder lawsuits were frequently unable to receive answers to simple questions, such as whether they had been added to the lawsuit, or even to establish contact with defendants. Some consumers lost their homes shortly after paying the retainer fees demanded by defendants.

This mass joinder scam began with deceptive mass mailers, the lawsuit alleges. Some mailers, designed to appear as official settlement notices or government documents, informed homeowners that they were potential plaintiffs in a "national litigation settlement" against their lender. No settlements existed and in many cases no lawsuit had even been filed. Defendants also advertised through their web sites.

When consumers contacted the defendants, they were given legal advice by sales agents, not attorneys, who made additional deceptive statements and provided (often inaccurate) legal advice about the supposedly "likely" results of joining the lawsuits. Defendants unlawfully paid commissions to their sales representatives on a per client sign-up basis, a practice known as "running and capping."

Defendants' alleged misconduct violates the following laws:

- False advertising, in violation of section 17500 of the Business and Professions Code
- Unfair, fraudulent and unlawful business practices, in violation of section 17200 of the Business and Professions Code
- Unlawful running and capping, in violation of section 6152, subdivision (a) of the Business and Professions Code (i.e., a lawyer unlawfully paying a non-lawyer to solicit or procure business)
- Improper fee splitting (defendants unlawfully splitting legal fees with non-attorneys)
- Failing to register with the Department of Justice as a telephonic seller.

Homeowners who have paid to be added to one of the lawsuits should contact the State Bar if they feel they may be victims of this scam. They can also contact a HUD-certified housing counselor for general mortgage related assistance.

The Department of Justice has seized the practices of the following non-attorney defendants:

Attorneys Processing Center, LLC; Data Management, LLC; Gary DiGirolamo; Bill Stephenson; Mitigation Professionals, LLC; Glen Reneau; Pate Marier & Associates, Inc.; James Pate; Ryan Marier; Home Retention Division; Michael Tapia; Lewis Marketing Corp.; Clarence Butt; and Thomas Phanco.

The State Bar has seized the practices and attorney accounts of the attorney defendants:

The Law Offices of Kramer & Kaslow; Philip Kramer, Esq; Mitchell J. Stein & Associates; Mitchell Stein, Esq.; Christopher Van Son, Esq.; Mesa Law Group Corp.; and Paul Petersen, Esq.

Attorney General Harris is challenging the defendants' alleged misconduct in marketing their mass joinder lawsuits; her office takes no position as to the legal merits of any claims asserted in the mass joinder lawsuits filed by defendants.

Victims in the following states are known to have received these mailers, or signed on to join the case. This is a preliminary list that may be updated:

Alaska, Arizona, California, Colorado, Connecticut, Florida, Hawaii, Maryland, Massachusetts, Michigan, Missouri, Nevada, New Jersey, New York, Ohio, Texas, Washington

The complaint, temporary restraining order, examples of marketing documents and photos of the enforcement action are available with the electronic version of this release at <http://oag.ca.gov/news>.

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