

STATE OF MINNESOTA  
COUNTY OF HENNEPIN

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DISTRICT COURT  
FOURTH JUDICIAL DISTRICT

BY \_\_\_\_\_ DEPUTY  
CLERK OF DISTRICT  
COURT ADMINISTRATOR

Case Type: Other Civil  
(Consumer Protection)

State of Minnesota, by Its Attorney General,  
Lori Swanson,

Court File No. \_\_\_\_\_

Plaintiff,

vs.

HOPE4HOMEOWNERS CORPORATION,

**COMPLAINT**

Defendant.

The State of Minnesota, by its Attorney General, Lori Swanson, for its Complaint against HOPE4HOMEOWNERS CORPORATION, hereby states and alleges as follows:

### INTRODUCTION

Defendant HOPE4HOMEOWNERS CORPORATION ("Hope 4 Homeowners") sells mortgage foreclosure consulting services in Minnesota and across the United States. Hope 4 Homeowners solicits Minnesota homeowners through telemarketing calls, its internet website, and other methods. Hope 4 Homeowners' telemarketers falsely claim that they will obtain a permanent modification of the homeowner's mortgage loan and stop the foreclosure of the homeowner's residence. In addition, Hope 4 Homeowners makes a number of misleading statements on its website concerning its alleged ability to help distressed homeowners save their home from foreclosure, and falsely claims that it can assist homeowners regardless of their situation. Hope 4 Homeowners' name also deceptively and misleadingly suggests that it is affiliated with the federal government's Hope for Homeowners program.

When a homeowner contacts Hope 4 Homeowners, a Hope 4 Homeowners representative assures the homeowner, among other things, that Hope 4 Homeowners can work out an arrangement with the homeowner's lender that will allow the homeowner to remain in his or her home, and then demands an up-front payment from the homeowner as a condition of beginning any work. Hope 4 Homeowners demands advance payments of \$1,400 or more before performing any services. After collecting these hefty up-front fees, Hope 4 Homeowners has failed to obtain modifications for its customers. Moreover, both the form and substance of Hope 4 Homeowners' contracts with Minnesota homeowners fail to comply with Minnesota Statutes Chapter 325N, as they require payment in advance of the services to be performed and fail to include the statutorily-required notice that the homeowner may cancel the contract within the statutorily-mandated three-day rescission period. In advertising and selling its foreclosure consulting services in Minnesota, Hope 4 Homeowners has violated Minnesota's statutory prohibitions against consumer fraud, as well as the State's foreclosure consulting laws. Accordingly, the State of Minnesota, by its Attorney General, Lori Swanson, brings this consumer protection lawsuit against Hope 4 Homeowners for declaratory and injunctive relief, restitution, civil penalties, exemplary damages as provided by statute, costs, reasonable attorneys' fees, and other appropriate relief.

#### **PARTIES**

1. Lori Swanson, the Attorney General of the State of Minnesota, is authorized under Minn. Stat. Ch. 8, including Minn. Stat. §§ 8.01, 8.31, 8.32, and under Minn. Stat. §§ 325F.70 and 325N.06, and has common law authority, including *parens patriae* authority, to bring this action on behalf of the State of Minnesota and its citizens to enforce Minnesota's laws, including Minn. Stat. §§ 325N.01-.18 (mortgage foreclosures) and 325F.68-.70 (consumer fraud).

2. Defendant Hope 4 Homeowners is a Minnesota Corporation. Hope 4 Homeowners' business address is 11909 Central Ave. NE, Minneapolis, MN 55434. Hope 4 Homeowners does not have a registered agent for service of process. Hope 4 Homeowners' President is Jesse Leeb.

### **JURISDICTION AND VENUE**

3. This Court has jurisdiction over the subject matter of this action pursuant to Minn. Stat. §§ 8.01, 8.31, 8.32, subd. 2(a), 325N.06, and 325F.70.

4. This Court has personal jurisdiction over Hope 4 Homeowners because Hope 4 Homeowners is located in Minnesota, transacted business in Minnesota, and committed acts in and outside Minnesota causing injury to Minnesota citizens.

### **FACTUAL BACKGROUND**

5. Hope 4 Homeowners is engaged in the business of offering mortgage foreclosure consulting services to homeowners in Minnesota whose homes are in foreclosure.

6. Hope 4 Homeowners initiates contact with individuals whose homes are in foreclosure through telemarketing calls, its internet website, and other methods. Hope 4 Homeowners' telemarketers falsely claim that they will obtain a permanent modification of the homeowner's mortgage loan and stop the foreclosure of the homeowner's residence.

7. Hope 4 Homeowners also makes a number of misleading representations and statements on its website concerning its alleged ability to help distressed homeowners save their homes from foreclosure, and discourages homeowners from approaching their lenders themselves. Among other things, Hope 4 Homeowners makes the following claims on its website:

- a. "Our Certified Foreclosure Counselors know exactly what to do and how to negotiate your case with your lender for the best results possible";

- b. "Hope 4 Homeowners utilizes proprietary methods and systems to fight foreclosure resulting in a 98% success rate with our clients";
- c. "We Offer Alternatives & Solutions for ANY Situation";
- d. "We will identify the best possible solution for your situation with the ultimate goal of helping you SAVE YOUR HOME";
- e. "Hope 4 Homeowners offers a dynamic and wide range of winning alternatives and solutions for ANY situation regarding foreclosure";

8. All of the representations and statements referenced above in Paragraphs 6 and 7 of Plaintiff's Complaint are false, deceptive, and/or misleading. Even Hope 4 Homeowners' name is deceptive and misleading, as it falsely suggests that Hope 4 Homeowners is affiliated with the federal government's Hope for Homeowners program.

9. When a homeowner contacts Hope 4 Homeowners, a Hope 4 Homeowners representative assures the homeowner, among other things, that Hope 4 Homeowners can work out an arrangement with the homeowner's lender that will allow the homeowner to remain in his or her home, and then demands an up-front payment from the homeowner as a condition of beginning any work. Hope 4 Homeowners unlawfully demands advance payments of \$1,400 or more before performing any services.

10. After the customer pays Hope 4 Homeowners' fee, Hope 4 Homeowners sends a contract and financial information forms to the homeowner to complete and return. Hope 4 Homeowners' contract does not inform the homeowner that it is unlawful for Hope 4 Homeowners to take money from the Minnesota homeowner before performing all promised services, does not allow the homeowner at least three business days to cancel the contract as required by law, does not contain the statutorily-mandated notice of cancellation form, and otherwise does not comply with Minn. Stat. § 325N.03.

11. Hope 4 Homeowners does not honor its representations and commitments to Minnesota homeowners, and failed to obtain promised loan modifications for its customers.

12. Illustrative, non-exclusive examples of Hope 4 Homeowners' conduct include the following:

**D.P.**

13. D.P. is a construction worker who began falling behind on his mortgage payments during the current economic downturn. Despite making double payments while he was working, D.P.'s long periods with no work caused him to fall behind on his mortgage payments. In 2008, D.P. contacted his mortgage company and negotiated a reduced interest rate. However, because his late payments were added to the principal of his loan, D.P.'s monthly payments remained unaffordable.

14. In February of 2009, D.P. was contacted by a representative from Hope 4 Homeowners named "Josh." After D.P. told Josh about the arrangement he had negotiated, Josh stated that Hope 4 Homeowners could negotiate a better deal and lower both his interest rate and mortgage payments.

15. Josh demanded approximately \$1,400 from D.P. to begin any work. When D.P. stated that he believed an up-front fee was illegal, Josh stated that the fee was legal because Hope 4 Homeowners would perform a service. Josh also promised to refund D.P.'s money if he was not satisfied.

16. D.P. made three payments to Hope 4 Homeowners totaling \$1,495. After several months, Hope 4 Homeowners called D.P. and stated that it had negotiated a modification of his mortgage loan. The terms of the modification, however, required D.P.'s monthly payments to *increase* and reduced his interest rate by the same amount that he had previously negotiated

alone. Because Hope 4 Homeowners had not negotiated a lower mortgage payment as promised, D.P. requested a refund. However, Hope 4 Homeowners refused to refund D.P.'s money.

S.C.

17. S.C. and her husband began falling behind on their mortgage payments in 2008 after her husband's hours were severely cut during the economic downturn. In March of 2009, a woman came to S.C.'s door and claimed to be from her mortgage company. The woman told S.C. that a man named Ryan from Hope 4 Homeowners helped save the woman's home from foreclosure. The woman left Ryan's contact information, and stated that that he could help S.C. as well.

18. Several weeks later, S.C. called Ryan after her mortgage lender notified her it was preparing to foreclose on her home. Ryan promised S.C. that Hope 4 Homeowners could reduce S.C.'s mortgage payments and bring her mortgage current. Ryan demanded that S.C. pay an up-front fee of \$2,000 before he would help her, which he reduced to \$1,495 because she stated she could not afford it. When S.C. stated she could still not afford \$1,495, Ryan offered to accept payment in installments. Hope 4 Homeowners was to withdraw the first payment from her bank account on May 1, 2009.

19. Throughout April of 2009, Hope 4 Homeowners told S.C. that it was resolving her mortgage problems. However, several days before Hope 4 Homeowners was set to withdraw S.C.'s first payment, S.C. was served with foreclosure papers. When she then called her mortgage lender, she was told that Hope 4 Homeowners had not contacted her lender. S.C. then contacted her bank to prevent any withdrawal from her bank account by Hope 4 Homeowners.

20. Several days later, S.C. was contacted by a Hope 4 Homeowners representative, who stated that it was not able to withdraw funds from her account. When S.C. stated that she

did not want to pay because Hope 4 Homeowners had not performed any services, the representative stated that Hope 4 Homeowners would not do any work until she paid.

21. S.C. cancelled her agreement with Hope 4 Homeowners and contacted a non-profit agency. In a single, three-way telephone conversation with herself and her mortgage lender, the non-profit agency negotiated a permanent loan modification and stopped her foreclosure. The non-profit agency did not charge her a fee.

**COUNT I  
VIOLATION OF MINNESOTA STATUTES CHAPTER 325N  
(FORECLOSURE CONSULTANTS)**

22. Plaintiff realleges all prior paragraphs of this Complaint.

23. Hope 4 Homeowners is a “foreclosure consultant” as defined by Minn. Stat. § 325N.01(a).

24. Hope 4 Homeowners has committed multiple, separate violations of Minnesota Statutes Chapter 325N (“Chapter 325N”).

25. Minn. Stat. § 325N.03(b) provides that every contract for foreclosure consulting services must contain the following notice, printed in at least 14-point boldface type:

**NOTICE REQUIRED BY MINNESOTA LAW**

..... (Name) or anyone working for him or her CANNOT:

(1) Take any money from you or ask you for money until ..... (Name) has completely finished doing everything he or she said he or she would do; and

(2) Ask you to sign or have you sign any lien, mortgage, or deed.

26. Hope 4 Homeowners committed multiple, separate violations of Minn. Stat. § 325N.03(b) by failing to include the above notice in its contracts with Minnesota homeowners.

27. Minn. Stat. § 325N.03(c) provides that every contract for foreclosure consulting services must be written in the same language as principally used by the foreclosure consultant to describe his or her services or to negotiate the contract, must be dated and signed by the owner, and must contain in immediate proximity to the space reserved for the owner's signature a conspicuous statement in a size equal to at least 10-point boldface type, as follows:

You, the owner, may cancel this transaction at any time prior to midnight of the third business day after the date of this transaction. See the attached notice of cancellation form for an explanation of this right.

28. Hope 4 Homeowners committed multiple, separate violations of Minn. Stat. § 325N.03(c) by failing to include the above notice in its contracts with Minnesota homeowners.

29. Minn. Stat. § 325N.03(e) provides that each contract for foreclosure consulting services must be accompanied by a "notice of cancellation" form, attached to the contract, that contains the following statement in at least 10-point type:

NOTICE OF CANCELLATION

.....  
(Enter date of transaction) (Date)

You may cancel this transaction, without any penalty or obligation, within three business days from the above date.

To cancel this transaction, you may use any of the following methods: (1) mail or otherwise deliver a signed and dated copy of this cancellation notice, or any other written notice of cancellation; or (2) e-mail a notice of cancellation

to .....  
(Name of foreclosure consultant)

at .....  
(Physical address of foreclosure consultant's place of business)

.....  
(E-mail address of foreclosure consultant's place of business)



NOT LATER THAN MIDNIGHT OF

.....  
(Date)

I hereby cancel this transaction .....  
(Date)

.....  
(Owner's Signature)

30. Hope 4 Homeowners committed multiple, separate violations of Minn. Stat. § 325N.03(e) by failing to include the above notice or the notice required under a prior version of the same statute in its contracts with Minnesota homeowners.

31. Minn. Stat. § 325N.03(f) provides that “[t]he foreclosure consultant shall provide the owner with a copy of the contract and the attached notice of cancellation immediately upon execution of the contract.”

32. Hope 4 Homeowners committed multiple, separate violations of Minn. Stat. § 325N.03(f).

33. Minn. Stat. § 325N.04 provides that it is a violation for a foreclosure consultant to:

(1) claim, demand, charge, collect, or receive any compensation until after the foreclosure consultant has fully performed each and every service the foreclosure consultant contracted to perform or represented he or she would perform; [or]

...

(7) induce or attempt to induce any owner to enter a contract which does not comply in all respects with sections 325N.02 and 325N.03.

34. Hope 4 Homeowners committed multiple, separate violations of Minn. Stat. § 325N.04 by, among other things, demanding and receiving compensation in advance of performing services for Minnesota homeowners, and by inducing or attempting to induce Minnesota homeowners to enter into contracts that did not comply with Minn. Stat. § 325N.03.

35. Pursuant to Minn. Stat. §§ 8.31 and 325N.06, Plaintiff is entitled to injunctive relief, restitution, civil penalties, exemplary damages, attorneys' fees, costs (including costs of investigation), and other relief provided by law for Hope 4 Homeowners' violations of Chapter 325N, including but not limited to the specific violations set forth above.

## COUNT II CONSUMER FRAUD

36. Plaintiff realleges all prior paragraphs of this Complaint.

37. Minn. Stat. § 325F.69, subd. 1 provides, in pertinent part, that:

The act, use, or employment by any person of any fraud, false pretense, false promise, misrepresentation, misleading statement or deceptive practice, with the intent that others rely thereon in connection with the sale of any merchandise, whether or not any person has in fact been misled, deceived, or damaged thereby, is enjoined as provided in section 325F.70.

38. Minn. Stat. § 325N.06 (a) further provides that “[a] violation of sections 325N.01 to 325N.09 is considered to be a violation of section 325F.69[.]”

39. Hope 4 Homeowners committed multiple, separate violations of Minn. Stat. § 325F.69, subd. 1 by violating Minn. Stat. Ch. 325N and making false, misleading and/or deceptive representations and statements, including but not limited to the representations and statements referenced above in Paragraphs 6-7, 9, 14-15, and 17-19 of Plaintiff's Complaint, with the intent that the recipient of such representations and statements would rely upon such representations and statements in doing business and/or deciding to do business with Hope 4 Homeowners.

40. Pursuant to Minn. Stat. §§ 8.31 and 325F.70, subd. 1, Plaintiff is entitled to injunctive relief, restitution, civil penalties, attorneys' fees, costs (including costs of investigation), and other relief provided by law for Hope 4 Homeowners' violations of Minn. Stat. § 325F.69, subd. 1.

## PRAYER FOR RELIEF

WHEREFORE, Plaintiff State of Minnesota, by its Attorney General, Lori Swanson, respectfully asks this Court to award judgment against Defendant as follows:

I. Declaring that Hope 4 Homeowners' acts described in this Complaint constitute multiple, separate violations of Minn. Stat. Ch. 325N and Minn. Stat. § 325F.69;

II. Enjoining Hope 4 Homeowners and its principals, partners, officers, directors, employees, agents, successors, assignees, merged or acquired predecessors, parent or controlling entities, subsidiaries, affiliates, and all other persons acting in concert or in participation with it, from:

- a. engaging in conduct that violates Minn. Stat. Ch. 325N or Minn. Stat. § 325F.69;
- b. marketing, offering, selling, or performing services as a "foreclosure consultant" or engaging in any "foreclosure reconveyance" as defined by Minn. Stat. § 325N.01;
- c. owning, managing, forming, or assisting in forming any entity that markets, offers, sells, or performs services as a "foreclosure consultant" or engages in any "foreclosure reconveyance" as defined by Minn. Stat. § 325N.01;
- d. assisting, advising, being employed by, or consulting with any person or entity that markets, offers, sells, or performs services as a "foreclosure consultant" or engages in any "foreclosure reconveyance" as defined by Minn. Stat. § 325N.01;
- e. offering foreclosure assistance or mortgage modification services to homeowners; or
- f. accepting payment of any kind for any services rendered as a "foreclosure consultant" or for engaging in any "foreclosure reconveyance" as defined by Minn. Stat. § 325N.01 or for providing foreclosure assistance or mortgage modification services;

III. Awarding judgment against Hope 4 Homeowners for civil penalties pursuant to Minn. Stat. § 8.31, subd. 3 for each separate violation of Minn. Stat. Ch. 325N and Minn. Stat. § 325F.69;

IV. Awarding exemplary damages, pursuant to Minn. Stat. § 325N.06(c), equal to 1-1/2 times the compensation charged by Hope 4 Homeowners to Minnesota homeowners for each separate violation of Minn. Stat. § 325N.04(1);

V. Awarding judgment against Hope 4 Homeowners for restitution under the *parens patriae* doctrine, the general equitable powers of this Court, Minn. Stat. § 8.31 and other authority, for all persons injured by Hope 4 Homeowners' acts as described in this Complaint;

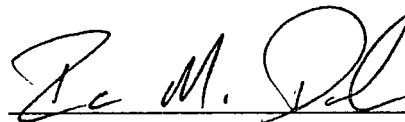
VI. Awarding Plaintiff its costs, including costs of investigation and attorney fees, as authorized by Minn. Stat. § 8.31, subd. 3a; and

VII. Granting such further relief as provided by law and/or as the Court deems appropriate and just.

Dated: March 23, 2010

Respectfully submitted,

LORI SWANSON  
Attorney General  
State of Minnesota



IAN DOBSON  
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ATTORNEYS FOR STATE OF MINNESOTA

MINN. STAT. § 549.211

ACKNOWLEDGMENT

The party or parties on whose behalf the attached document is served acknowledge through their undersigned counsel that sanctions may be imposed pursuant to Minn. Stat. § 549.211 (2007).

Dated: March 23, 2010



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