

**Fighting for the Middle Class:
The FTC Tackles Mortgage Rescue Fraud**

Remarks of FTC Chairman Jon Leibowitz

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Let me start by thanking Professor Tribe and Vice President Biden for their work today.

Sixty-six years ago, Franklin Delano Roosevelt signed the GI bill into law, and the American middle class was born – born of a government program that put millions of returning World War II veterans through school and into their first homes.

Sixty-six years later, unemployment, foreclosures, and financial scams threaten to shake that middle class apart; sadly a soldier returning home from Afghanistan today is more likely to find a notice throwing his family out of their house than he is a program putting them into one.

And though there are many in public service – many of us in this room today – who strive to continue FDR's commitment to justice for the middle class, too many families feel abandoned by Washington, left to drown in a sea of bad guys and black hats.

At the FTC, we want to reclaim the white hat for the U.S. government: Today, we are announcing three ways we are ensuring that the middle class has access to justice to weather the foreclosure crisis.

First, under the authority that Chairman Jay Rockefeller and Senator Byron Dorgan worked hard to get for us, we are issuing a new rule that will shut down some of the worst actors of the foreclosure frenzy: fraudulent mortgage rescue companies. These scammers, often armed with official looking documents and false claims of connection to government programs for homeowners, sell legal services they can't – and don't – deliver. And make promises they can't – and don't – keep.

Often they charge fees in advance, but then do nothing – or, even worse, tell homeowners not to pay their mortgages – leaving all too many consumers to lose their homes as well as their hefty deposits.

Hundreds of thousands of consumers have lost hundreds of millions of dollars this way.

And these scammers don't stop at stealing the fees from their victims. A homeowner waiting on the empty promises of a fraudulent mortgage rescue scammer may also miss the opportunity to save his or her home, and good credit record, by participating in one of the legitimate foreclosure assistance programs run by HUD and groups like Neighborworks.

The new rule we announce today is simple, effective, straightforward: It stops mortgage relief companies from collecting any money before they deliver an actual loan modification, one that the homeowner finds acceptable.

We also require these companies to tell the consumer what their services will cost, and that they may not succeed in securing the promised relief. The companies must disclose that

they are not associated with the government or the consumer's lender. And they are barred from advising consumers to stop communicating with their lender.

And it's an enforcement tool with teeth: If the foreclosure rescue companies don't play by the rules, the FTC has the authority to go after them with hefty fines.

Our second announcement today is about specific victories in this battle. In the past two years, the FTC has pursued more than 30 cases against mortgage rescue schemes at the national level; with our partners, a bipartisan coalition of state Attorneys General, we have brought more than 200 cases.

This week, we were able to shut down the Residential Relief Foundation, which disguised itself as a government program – complete with a fake U.S. seal, as you can see from the poster behind me. Residential Relief charged homeowners thousands of dollars up-front to get their mortgage payments lowered. The company didn't deliver; in fact, it callously tossed its clients' financial documents in public dumpsters, putting consumers at risk of losing their homes as well as their identities.

A Baltimore federal court has granted the FTC's request to stop this scam, issuing a preliminary order that freezes the assets of Residential Relief and appoints a receiver to take over the business.

We owe a debt of gratitude to the Special Inspector General for the Troubled Assets Relief Program, also known as "SIG-TARP," for teeing up this case. Thank you.

Today, we are also announcing a major settlement with U.S. Foreclosure Relief, another company that collected up-front fees, claiming that 85 percent of its clients received loan modifications and promising to refund the fees if they did not provide the modifications. The FTC complaint charges that most of U.S. Foreclosure Relief's clients got nothing – no services, no mortgage modification, and no refund.

Today's settlement changes that: U.S. Foreclosure Relief will pay homeowners more than \$600,000 in redress and is banned from the mortgage relief business. Forever.

A final way the FTC is helping homeowners through the current foreclosure crisis is by preempting problematic fallout from the robo-