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Attorneys for Plaintiff
THE PEOPLE OF THE STATE OF CALIFORNIA

[EXEMPT FROM FILING FEES
UNDER GOVT. CODE SEC. 6103]

SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF SACRAMENTO

THE PEOPLE OF THE STATE OF CALIFORNIA,

Plaintiff,

v.

US LOAN AUDITORS, INC., a California corporation; MY US LEGAL SERVICES, INC., a California corporation; JAMES DONALD SANDISON, an individual; SHANE BARKER, an individual; JEFFREY ALLEN PULVINO, an individual; SHARON L. LAPIN, an individual; JONATHAN GREGG STEIN, an individual; and DOES 1 through 100, inclusive,

Defendants.

Case No.

**COMPLAINT FOR CIVIL PENALTIES,
PERMANENT INJUNCTION AND
OTHER EQUITABLE RELIEF**

1 Plaintiff, the People of the State of California, by and through Edmund G. Brown Jr.,
2 Attorney General of the State of California, alleges the following on information and belief:

3 1. This action targets a foreclosure rescue scam that has snared hundreds of
4 California consumers and it should be permanently enjoined to protect the public from further
5 harm.

6 2. Defendants use a variety of deceptive advertising and marketing techniques to
7 persuade homeowners that they have been victims of "predatory lending," that they have a strong
8 legal case against their lender and/or mortgage broker, and that filing a lawsuit will give them
9 "legal leverage" to obtain a loan modification, stave off foreclosure, and/or recover damages,
10 including punitive damages. Defendants charge consumers thousands of dollars for a dubious
11 "forensic audit" of their loan documents, plus recurring, monthly fees of \$1,000 or more to fund a
12 "predatory lending" case in state or federal court. Based on the results of these "forensic audits,"
13 which are prepared by non-lawyers and without any attorney supervision, Defendants have filed
14 "cookie-cutter" lawsuits for hundreds of clients. These cases have overwhelmingly been
15 dismissed at the pleading stage, have failed to result in any favorable settlements or adjudications,
16 and would not, in any event, entitle consumers to the sweeping relief promised by Defendants.

17 3. Defendants falsely represent that filing a "predatory lending" lawsuit will
18 somehow prevent homeowners' lender from foreclosing, or even collecting monthly mortgage
19 payments during the pendency of litigation. Defendants further advise or encourage their clients
20 to pay Defendants' monthly fees instead of their mortgages. Many of Defendants' clients took
21 this advice, and as a result placed themselves in even greater danger of losing their homes.
22 Defendants then bilk their clients for months, collecting thousands of dollars in fees for "legal
23 services," when in reality, Defendants do little more than file and serve a boiler-plate complaint.
24 In order to keep the monthly payments flowing, Defendants dodge their clients' phone calls,
25 refuse to provide their clients any accounting of how their money is being spent, and/or string
26 their clients along with false assurances that a settlement is in progress, or that litigation takes
27 time.

28

1 4. Defendants falsely portray themselves as “experts” in “predatory lending”
2 litigation, when in fact Defendants have little or no litigation experience of any kind. Defendant
3 My US Legal Services, Inc., which is not a law firm, recruits third-party attorneys to serve as
4 attorneys of record in state or federal court, but in reality the company initiates and in many
5 instances manages the litigation with little or no attorney oversight.

6 5. Clients who pay for Defendants’ legal services do not first meet or consult with
7 their attorney of record, but are instead assigned to an attorney recruited by Defendant My US
8 Legal Services, Inc. The attorneys of record, including but not limited to Defendants Jonathan G.
9 Stein and Sharon L. Lapin, are paid \$250 per month per case from Defendant My US Legal
10 Services, and must sign contracts which prohibit them from “interfer[ing] with the relationship
11 between [Defendant My US Legal Services] and client.” Clients are actively discouraged from
12 trying to contact their assigned attorney and rarely, if ever, speak to or meet with them about their
13 case. This arrangement fatally compromises the attorney’s independence, judgment, and ethical
14 obligation to competently represent their clients’ interests, and the results have been devastating.

15 6. State law governs the provision of “foreclosure consultant” services. (Civil
16 Code, § 2945 et seq.) Foreclosure consultants must have a license from the Department of Real
17 Estate (DRE), must register with the Department of Justice, and, in order to charge advance fees,
18 must get prior approval from DRE. Recently, numerous California consumers have fallen prey to
19 phony foreclosure rescue scams, especially “loan modification” services that charged consumers
20 thousands of dollars in advance fees without providing any actual relief. This prompted the
21 Legislature to enact Senate Bill 94 (SB 94), which was signed into law on October 11, 2009. SB
22 94 strengthened and closed loopholes in existing law by prohibiting any person or business from
23 charging advance fees for assisting a homeowner with obtaining a loan modification or other
24 form of mortgage forbearance. In an attempt to avoid these statutory prohibitions against
25 charging advance fees, and to bolster their credibility, Defendants repeatedly tell consumers that
26 they are *not* a loan modification service. In fact, Defendants are marketing loan modification
27 services dressed up as “forensic audits” and “legal services,” and are charging advance fees in
28 violation of the Legislature’s express directives.

1 LEGAL SERVICES is not a law corporation, nor is it licensed as a real estate broker or an entity
2 authorized to make loans or extensions of credit. Defendant US LEGAL SERVICES has never
3 submitted an advance fee agreement application to the DRE, and has never received approval
4 from DRE to charge advance fees for foreclosure consultant services. Defendant US LEGAL
5 SERVICES has never been registered with the California Department of Justice as a foreclosure
6 consultant. At all relevant times, Defendant US LEGAL SERVICES has transacted and
7 continues to transact business throughout California, including Sacramento County.

8 10. Defendant James Donald Sandison (SANDISON), an individual, is a principal
9 and founder of Defendants US LOAN AUDITORS and US LEGAL SERVICES, and is a
10 licensed California attorney and real estate broker. Defendant SANDISON lists his attorney
11 business address as P.O. Box 1085, Elk Grove, CA 95759, and his broker's business address as
12 10837 Freeman Road, Wilton, California 95693. Defendant SANDISON is also the president and
13 CEO of "The We Buy Houses Guys, Inc," a real estate investment company that purchases and
14 sells single-family and multi-family homes. Defendant SANDISON has never submitted an
15 advance fee agreement application to the DRE, and has never received approval from DRE to
16 charge advance fees for foreclosure consultant services. Defendant SANDISON has never been
17 registered with the California Department of Justice as a foreclosure consultant. Defendant
18 SANDISON, acting alone or in concert with others, has formulated, directed, controlled,
19 authorized, participated in, or ratified the acts and practices set forth in this Complaint. At all
20 relevant times, Defendant SANDISON has transacted and continues to transact business
21 throughout California, including Sacramento County.

22 11. Defendant Shane Barker (BARKER), an individual, is a principal and founder of
23 Defendants US LOAN AUDITORS and US LEGAL SERVICES. Defendant BARKER is not an
24 attorney, and is not licensed as a real estate broker, real estate salesperson, or person authorized to
25 make loans or extensions of credit. Defendant BARKER has never submitted an advance fee
26 agreement application to the DRE, and has never received approval from DRE to charge advance
27 fees for foreclosure consultant services. Defendant BARKER has never been registered with the
28 California Department of Justice as a foreclosure consultant. Defendant BARKER, acting alone

1 or in concert with others, has formulated, directed, controlled, authorized, participated in, or
2 ratified the acts and practices set forth in this Complaint. At all relevant times, Defendant
3 BARKER has transacted and continues to transact business throughout California, including
4 Sacramento County.

5 12. Defendant Jeffrey Allen Pulvino (PULVINO), an individual, is a principal and
6 founder of Defendants US LOAN AUDITORS and US LEGAL SERVICES. Defendant
7 PULVINO is not an attorney, and is not licensed as a real estate broker, real estate salesperson, or
8 person authorized to make loans or extensions of credit. Defendant PULVINO has never
9 submitted an advance fee agreement application to the DRE, and has never received approval
10 from DRE to charge advance fees for foreclosure consultant services. Defendant PULVINO has
11 never been registered with the California Department of Justice as a foreclosure consultant. In
12 2007, Defendant PULVINO was denied a real estate salesperson's license by the DRE because of
13 numerous criminal convictions, including attempted grand theft. PULVINO, acting alone or in
14 concert with others, has formulated, directed, controlled, authorized, participated in, or ratified
15 the acts and practices set forth in this Complaint. At all relevant times, Defendant PULVINO has
16 transacted and continues to transact business throughout California, including Sacramento County.

17 13. Defendant Sharon L. Lapin (LAPIN), an individual, is a licensed California
18 attorney (State Bar No. 165919). Defendant LAPIN lists her business address as 336 Bon Air
19 Center, Suite 492, Greenbrae, California 94904. On June 16, 2006, the California State Bar
20 suspended LAPIN for one year, stayed her suspension, and placed her on probation for two years
21 for 15 counts of misconduct, including but not limited to: (1) intentionally, recklessly, and
22 repeatedly failing to perform legal services with competence; (2) failing to respond promptly to
23 reasonable status inquiries of a client; and (3) failing to refund unearned fees to clients.
24 Defendant LAPIN, acting alone or in concert with others, has formulated, directed, controlled,
25 authorized, participated in, or ratified the acts and practices set forth in this Complaint. At all
26 relevant times, Defendant LAPIN has transacted and continues to transact business throughout
27 California, including Sacramento County.

1 14. Defendant Jonathan Gregg Stein (STEIN), an individual, is a licensed California
2 attorney (State Bar No. 224609). Defendant STEIN lists his business address as 5050 Laguna
3 Boulevard, Suite 112-325, Elk Grove, California, 95758. Defendant STEIN, acting alone or in
4 concert with others, has formulated, directed, controlled, authorized, participated in, or ratified
5 the acts and practices set forth in this Complaint. At all relevant times, Defendant STEIN has
6 transacted and continues to transact business throughout California, including Sacramento County.

7 15. The true names and capacities, whether individual, corporate, associate or
8 otherwise, of defendants sued herein as Does 1 through 100, inclusive, presently are unknown to
9 Plaintiff, who therefore sues said defendants by such fictitious names. Plaintiff will seek leave to
10 amend this Complaint to allege the true names of Does 1 through 100 when the same have been
11 ascertained. Plaintiff is informed and believes, and based thereon alleges, that each of the
12 fictitiously named defendants participated in some or all of the acts alleged herein.

13 16. The defendants identified in Paragraphs 8 through 12 above may be referred to
14 collectively in this Complaint as the "Non-Attorney Defendants."

15 17. The defendants identified in Paragraphs 13 through 14 above, and Does 51-100,
16 may be referred to collectively in this Complaint as the "Attorney Defendants."

17 18. At all times mentioned herein, each of the Defendants acted as the principal,
18 agent, or representative of each of the other Defendants, and in doing the acts herein alleged, each
19 Defendant was acting within the course and scope of the agency relationship with each of the
20 other Defendants, and with the permission and ratification of each of the other Defendants.

21 19. Whenever reference is made in this Complaint to any act of any Defendant or
22 Defendants, such allegation shall mean that such Defendant or Defendants did the acts alleged in
23 this Complaint either personally or through the Defendant's or Defendants' officers, directors,
24 employees, agents and/or representatives acting within the actual or ostensible scope of their
25 authority.

26 20. At all relevant times, Defendants have controlled, directed, formulated, known
27 and/or approved of, and/or agreed to the various acts and practices of each of the Defendants.
28

1 homeowners are told that they may be victims of predatory lending and that US LOAN
2 AUDITORS can help them stay in their homes and/or modify their mortgage. Non-Attorney
3 Defendants' advertisements list a toll-free number for consumers to call for a free consultation.

4 26. The Non-Attorney Defendants' advertisements are false and misleading. One
5 tactic used by the Non-Attorney Defendants is to target homeowners using deceptive and
6 misleading mailers. These mailers, labeled "Lender Investigation Notification," state, inter alia,
7 that "Your lender ... is currently under investigation for predatory lending," or words to that
8 effect, and are purposely designed to appear as though they came from a government agency or to
9 suggest an affiliation between Defendant US LOAN AUDITORS and a government agency. The
10 contents of the mailer are customized for each recipient and list an "ID Number," the name of the
11 recipient's lender, the recipient's mortgage loan amount, and an "Investigator Contact Phone
12 Number," which is US LOAN AUDITORS' business number. The mailers further state that the
13 named homeowner "may qualify to initiate a lawsuit against [their] lender" to "stop foreclosure
14 proceedings," and to "lower your monthly mortgage payments" or the "balance owed on your
15 loan." In a further effort to suggest that US LOAN AUDITORS is conducting an official
16 investigation, the mailer envelopes display the terms "CERTIFIED DELIVERY,"
17 "PREDATORY LENDING INVESTIGATION," and a box citing "U.S. CODE TITLE 18, SEC.
18 1702." These mailers are likely to mislead reasonable consumers to believe that Defendant US
19 LOAN AUDITORS is a government agency, is affiliated with a government agency, or is
20 endorsed or approved by a government agency, when it is not.

21 27. When homeowners contact Defendant US LOAN AUDITORS by phone or in
22 person, they speak with sales agents who identify themselves as "fraud investigators" and/or
23 "licensed fraud investigators." These sales agents are not attorneys or experts in fraud
24 investigations, and are not licensed to conduct investigations of any kind. Consistent with the
25 claims and representations made on US LOAN AUDITORS' websites, mailers, marketing
26 materials, and other advertisements, clients are told that a forensic loan audit will provide them
27 with "legal leverage" to stop foreclosure and obtain a loan modification.
28

1 28. As part of their sales pitch, the Non-Attorney Defendants and their sales agents
2 offer a free “preliminary review” or “soft audit” of the homeowners’ mortgage documents to
3 assess whether any potential “predatory lending” violations occurred. Such indicators are found
4 in practically every case, and consumers are then told that they qualify for a more detailed
5 “forensic audit.”

6 29. In order to sell their loan audit services, the Non-Attorney Defendants and their
7 sales agents regularly make a series of false and/or misleading statements to clients, which
8 include, but are not necessarily limited to the following:

9 (a) Defendants US LOAN AUDITORS and US LEGAL SERVICES have
10 significant experience and success negotiating loan modifications and winning cases;

11 (b) Defendants US LOAN AUDITORS and US LEGAL SERVICES work
12 directly with the California Attorney General, and their loan audits are supported by the
13 California DRE, or words to that effect;

14 (c) Over 90 percent of forensic audits performed by US LOAN AUDITORS
15 on adjustable rate mortgages reveal violations of federal law;

16 (d) In order to foreclose on a home, the lender must produce the original
17 promissory note, and lenders cannot do so 50 percent of the time;

18 (e) During the audit process, a licensed attorney will review their loan and the
19 audit findings;

20 (f) Clients will be able to avoid foreclosure “during the legal questioning of
21 the legitimacy of a loan,” or words to that effect;

22 (g) Clients will be able to obtain lower interest rates, including securing fixed
23 rates for adjustable loans, from lenders;

24 (h) Clients will be able to secure principal reductions on their mortgage;

25 (i) Clients will be able to secure lower monthly mortgage payments;

26 (j) Clients will be able to remove any derogatory credit that was reported by
27 the lender.

28

1 Loan Audit Analysis Report,” and to discuss the client’s legal options. The completed audit
2 report typically contains a section labeled “Attorney/Client Confidential,” which not only bolsters
3 the false claim that a licensed attorney reviewed their loan, but also creates the impression that an
4 attorney-client relationship exists between the Non-Attorney Defendants and their clients. In
5 most instances, homeowners are told by “fraud investigators” working for Defendant US LEGAL
6 AUDITORS that they have been victims of unlawful predatory lending practices, and have a
7 strong legal case against their lender or mortgage broker. Clients are also advised or encouraged
8 to stop making monthly mortgage payments and to instead pay additional upfront fees to
9 Defendant US LEGAL SERVICES to bring a “predatory lending lawsuit.”

10 34. Non-Attorney Defendants and their sales agents routinely tell their clients that
11 “our attorneys will use [the audit] as leverage to argue the validity of your loan, and point out
12 potential areas where your rights have been violated,” or words to that effect. The Non-Attorney
13 Defendants and their sales agents also routinely tell clients that their attorneys “specialize in debt
14 negotiation, debt settlement, predatory lending, loan modification, litigation, and consumer
15 injury.” In fact, the attorneys recruited for these cases frequently have little or no relevant
16 experience, and Defendant LAPIN, who received over 130 referrals from Defendant US LEGAL
17 SERVICES, was previously sanctioned by the State Bar for failing to competently perform legal
18 services on behalf of her clients.

19 35. Non-Attorney Defendants and their sales agents have also claimed to achieve a
20 high rate of success because of Defendant SANDISON’s background as an attorney, real estate
21 broker, and former deputy sheriff, and have told clients that they can trust him, that he will
22 personally represent them, and that he is personally acquainted with federal judges. These
23 representations are false and misleading. Defendant SANDISON has never represented any US
24 LEGAL SERVICES client in court. These false and misleading statements are made to bolster
25 the credibility of Defendant US LEGAL SERVICES, to foster their clients’ trust and confidence,
26 and to create the impression that an attorney-client relationship exists between Defendant US
27 LEGAL SERVICES and the client.

1 36. The Non-Attorney Defendants and their sales agents, in order to induce clients to
2 purchase legal services from Defendant US LEGAL SERVICES, regularly make a series of false
3 and misleading statements, including but not limited to the following:

4 (a) That the foreclosure process will be “frozen” during litigation;

5 (b) That during litigation, the homeowner will not be required to make
6 monthly mortgage payments;

7 (c) That if a lawsuit is filed against the lender, the consumer will obtain a loan
8 modification because the lender does not want the public exposure of defending the lawsuit;

9 (d) That they have “never lost a case.”

10 37. Non-Attorney Defendants and their sales agents also use marketing materials
11 that contain false and misleading statements to sell their legal services. To close the sale, clients
12 are presented with “Examples of Cases that US Loan Auditors has Won” – a list of “settlements”
13 in which the borrower purportedly received a reduction of the principal balance on their mortgage
14 loan, a reduction and restructuring of the interest rate, and payment of attorneys fees. These
15 “wins” by the Non-Attorney Defendants are fictitious; they are not based on any “forensic audit”
16 or other service provided by any of the Non-Attorney Defendants. At other times, the Non-
17 Attorney Defendants and their sales agents have falsely claimed that they have obtained many
18 favorable settlements from lenders, but that they are unable to provide details because the deals
19 must be kept “confidential” and they are under a “gag order.”

20 38. Defendant US LEGAL SERVICES charges its clients an additional upfront
21 monthly fee in an amount equal to “one-half (1/2) of their total monthly principle [sic] and
22 interest mortgage payment” to go forward with a predatory lending lawsuit. Non-Attorney
23 Defendants require each client to sign an authorization agreement for automatic debits (called an
24 “ACH Agreement”), to be deducted directly from the client’s bank account. Clients typically pay
25 thousands of dollars in upfront monthly fees to Defendant US LEGAL SERVICES to initiate a
26 predatory lending lawsuit.

27 39. Although the fixed monthly fees are automatically debited from clients’ bank
28 accounts by Defendant US LEGAL SERVICES “for the processing of Clients [sic] legal action,”

1 clients are never sent monthly invoices or given an accounting of the services that have been
2 provided. When clients request such information they are routinely told that Defendant US
3 LEGAL SERVICES “is not an accounting firm,” or words to that effect, and sales agents are
4 instructed to put them off until they stop calling.

5 40. Weeks or months later, but after Defendant US LEGAL SERVICES has already
6 started debiting monthly fees from their clients’ bank accounts, clients are presented with a
7 “welcome letter” and “Legal Services Agreement,” which indicates that a named attorney will be
8 representing the client in the predatory lending lawsuit. The particular contract attorney, who
9 may have little or no experience in real estate litigation, is recruited and assigned to the case by
10 Defendant US LEGAL SERVICES without the client first having the opportunity to consult with
11 the attorney.

12 41. Unknown to their clients, Defendant US LEGAL SERVICES has a separate
13 contractual arrangement with their outside contract attorneys, including Defendants LAPIN and
14 STEIN, which provides that Defendant US LEGAL SERVICES will provide legal services for
15 the client’s case, including “drafting legal pleadings, summons, civil case cover sheets, case
16 management documents, motions and responses to motions filed by any defendants, and
17 generating and responding to discovery;” “[conducting] all necessary legal research;” and
18 “[arranging] for the summons, complaint and any other documents to be served upon all
19 defendants named in the litigation.” The contract further provides that US LEGAL SERVICES
20 will pay contract attorneys a monthly fee of \$250 per case as long as each client continues to pay
21 US LEGAL SERVICES’ monthly legal fees, and prohibits each contract attorney from
22 “interfer[ing] with the relationship between [Defendant My US Legal Services] and Client.”

23 42. Based on Non-Attorney Defendants’ misrepresentations, their false and
24 misleading marketing materials, and the exorbitant monthly fees they charge, clients believe that
25 they have retained Defendant US LEGAL SERVICES to file a “predatory lending” lawsuit and to
26 negotiate a settlement on their behalf.

Defendants' Litigation Mill

1
2 43. After clients start making monthly payments to Defendant US LEGAL
3 SERVICES, their audit files are "sent" to the "legal" department for processing the lawsuit. The
4 US LEGAL SERVICES "legal" department is staffed and supervised by non-attorney "legal
5 processors," and at least two former California attorneys who are no longer eligible to practice
6 law in California. One former attorney who supervises non-legal staff resigned from the practice
7 of law with State Bar disciplinary charges pending in 2007, and was subsequently convicted of
8 grand theft in connection with his representation of clients in 2008. Another former attorney
9 employed by Defendant US LEGAL SERVICES resigned from the practice of law with State Bar
10 disciplinary charges pending on July 8, 2009.

11 44. Defendant US LEGAL SERVICES prepares legal complaints based on the
12 results of the "soft audit" and/or the complete "forensic audit" conducted by non-attorney
13 employees of US LOAN AUDITORS. Although these complaints may be tailored to a specific
14 client, they are drafted by non-attorney employees using a fill-in-the-blanks computer template
15 and typically contain identical causes of action. Non-attorney employees simply enter the client's
16 information into a few fields, and the computer generates the complaint. Thereafter, Defendant
17 US LEGAL SERVICES files the complaints, serves the defendants, drafts and files all opposition
18 motions, and manages all other aspects of the case, including attempting to negotiate for a loan
19 modification or an extension of the trustee sale date on the client's behalf. Defendant US LEGAL
20 SERVICES' contract attorneys, including LAPIN and STEIN, do not control or supervise US
21 LEGAL SERVICES' employees, and must agree not to interfere with the relationship between
22 US LEGAL SERVICES and the client.

23 45. Defendant US LEGAL SERVICES also assigns too many cases to its legal
24 processors and other non-attorney staff. The processors are assigned up to hundreds of clients at
25 one time, and do not have time to give proper attention to each. At times, the legal processors
26 have been as long as five months behind on their client workload. As a result, clients typically
27 pay US LEGAL SERVICES thousands of dollars in monthly fees before a complaint is even filed.
28

1 46. Soon after Defendant US LEGAL SERVICES begins receiving monthly advance
2 fee payments from clients, it stops having regular or meaningful contact with clients. While
3 clients repeatedly call, e-mail, fax, or even visit the office seeking updates on the status of their
4 case, Non-Attorney Defendants regularly fail to respond to their inquiries. In the rare instances
5 where clients are able to make contact with Non-Attorney Defendants, they are told to remain
6 patient because the case is in litigation, or that negotiations are proceeding. In other instances,
7 clients are told that a settlement is imminent. These representations are false, and Non-Attorney
8 Defendants know they are false at the time they are made.

9 47. Many consumers, having paid large sums of money to Non-Attorney Defendants
10 for their legal services, lost their homes, filed for bankruptcy, or were forced to sell their homes in
11 a short sale. When clients' homes are sold in foreclosure, despite Non-Attorney Defendants'
12 promise to clients that they would be able to keep their homes, Non-Attorney Defendants and
13 their sales agents often tell homeowners "that's better for your case," or words to that effect.
14 When clients are being evicted from their homes by the lender or new owner following a trustee
15 sale, they are routinely told that US LEGAL SERVICES does not provide legal services for
16 unlawful detainer cases, and that they must seek outside counsel on their own.

17 48. Despite assurances to the contrary, Defendants make little effort to prosecute a
18 predatory lending lawsuit or negotiate a settlement with lenders. Cases do not settle or proceed to
19 trial. Monetary sanctions have been ordered against US LEGAL SERVICES' contract attorneys,
20 including Defendants LAPIN and STEIN, for failing to appear in court for hearings on motions or
21 on orders to show cause. Cases repeatedly get dismissed. In order to keep the automatic monthly
22 payments flowing, Defendants dodge their clients' phone calls, refuse to provide clients any
23 accounting of how their money is being spent, and string their clients along with false assurances
24 that a settlement is in progress, or that litigation takes time.

25 49. Since at least February 2009, and continuing to the present, Non-Attorney
26 Defendants improperly collected thousands of dollars in advance fees from homeowners, even
27 when the homeowners they solicited for services had already defaulted on their mortgage
28

1 obligations, lenders had recorded notices of default against the homeowners' properties, and/or
2 lenders had issued a notice of trustee sale of the homeowners' properties.

3 50. Since at least October 11, 2009, Non-Attorney Defendants have required all
4 homeowners, regardless of whether their homes are in foreclosure, to pay Non-Attorney
5 Defendants thousands of dollars in advance fees before Non-Attorney Defendants will render
6 their forensic audit services and/or their legal services.

7 51. Since at least October 11, 2009, Non-Attorney Defendants have not provided
8 clients with a separate notice required by Civil Code section 2944.6, subdivision (a), before
9 entering into fee agreements with its clients.

10 52. Non-Attorney Defendants have also marketed and sold their services to
11 consumers who are particularly vulnerable to fraud, including the disabled and/or those 65 years
12 of age and older, and Spanish-speaking consumers.

13 53. At all relevant times, Defendants SANDERSON, BARKER, and PULVINO
14 conducted, supervised, developed, and/or oversaw training of the sales agents and fraud
15 investigators who sold loan audits and legal services for US LEGAL AUDITORS and US
16 LEGAL SERVICES.

17 54. Consumers have suffered and continue to suffer substantial monetary loss as a
18 result of Defendants' unlawful acts and practices. Defendants have been unjustly enriched as a
19 result of the unlawful practices set forth in this Complaint. Without injunctive relief from the
20 Court, Defendants are likely to continue to injure consumers and harm the public interest.

21
22 **FIRST CAUSE OF ACTION AGAINST**
23 **DEFENDANTS US LEGAL AUDITORS, US LEGAL SERVICES, SANDISON,**
24 **BARKER, AND PULVINO VIOLATIONS OF BUSINESS AND PROFESSIONS**
25 **CODE SECTION 17500**
26 **(UNTRUE OR MISLEADING REPRESENTATIONS)**

27 55. Plaintiff realleges Paragraphs 1 through 54 and incorporates those Paragraphs by
28 reference as though they were fully set forth in this cause of action.

56. From a date unknown to Plaintiff and continuing to the present, Non-Attorney
Defendants directly and through their agents, have violated and continue to violate Business and

1 Professions Code section 17500 by making or causing to be made untrue or misleading
2 statements with the intent to induce members of the public to purchase Defendants' services, as
3 described in Paragraphs 25 through 30, and Paragraphs 33 through 36, above. Defendants' untrue
4 or misleading representations include, but are not limited to, the following:

5 (a) Non-Attorney Defendants' sales agents regularly represent themselves, and
6 are trained to call themselves, "fraud investigators" and/or "licensed fraud investigators" or words
7 to that effect;

8 (b) Non-Attorney Defendants' sales agents regularly represent that Defendant
9 US LEGAL AUDITORS is "licensed" to conduct fraud investigations, or words to that effect;

10 (c) Non-Attorney Defendants' sales agents regularly tell prospective clients
11 that the company "works directly" with the Attorney General's Office and that their services are
12 supported by the Department of Real Estate, or words to that effect;

13 (d) Non-Attorney Defendants' sales agents routinely tell clients that in order
14 to foreclose, the lender must produce the original promissory note, and that lenders cannot do so
15 50 percent of the time, or words to that effect;

16 (e) Non-Attorney Defendants and their sales agents routinely tell clients that
17 once a lawsuit is filed, the lender "is not allowed to foreclose," or words to that effect;

18 (f) Non-Attorney Defendants and their sales agents routinely tell clients that
19 once a lawsuit is filed, the client does not have to continue making monthly mortgage payments
20 to the lender;

21 (g) Non-Attorney Defendants and their sales agents routinely tell clients that
22 their monthly mortgage payments "are reduced by up to 50% during litigation," or words to that
23 effect;

24 (h) Non-Attorney Defendants and their sales agents routinely guarantee a
25 successful predatory lending lawsuit for clients;

26 (i) Non-Attorney Defendants and their sales agents routinely tell clients that
27 they will stop foreclosure proceedings;

28

1 (j) Non-Attorney Defendants and their sales agents routinely tell clients that
2 they will be able to secure principal reductions for the clients' mortgages;

3 (k) Non-Attorney Defendants and their sales agents routinely tell clients that
4 they will be able to secure lower monthly mortgage payments for the clients;

5 (l) Non-Attorney Defendants and their sales agents routinely tell clients that
6 they will be able to obtain refunds of some or all of the original closing costs paid by clients;

7 (m) Non-Attorney Defendants and their sales agents routinely tell clients that
8 they will be able to obtain refunds of some or all mortgage interest paid by clients;

9 (n) Non-Attorney Defendants and their sales agents routinely tell clients that
10 they will be able to receive financial compensation in the form of damages, including punitive
11 damages;

12 (o) Non-Attorney Defendants and their sales agents routinely tell clients that
13 the upfront fees they collect from their clients are refundable if the audit fails to identify sufficient
14 violations of State or Federal Law for an attorney to proceed with litigation or words to that effect;

15 (p) Non-Attorney Defendants and their sales agents routinely tell clients that
16 during the audit process "a licensed attorney will review" the client's loan, or words to that effect;

17 (q) Non-Attorney Defendants and their sales agents routinely tell clients that
18 they use attorneys who "specialize in debt negotiation, debt settlement, predatory lending, loan
19 modification, litigation, and consumer injury;"

20 (r) Non-Attorney Defendants and their sales agents routinely provide potential
21 clients with purported "Examples of Cases that US Loan Auditors has Won," wherein settlements
22 include loan modifications and payment of attorneys fees;

23 (s) Non-Attorney Defendants' marketing mailers claim that the homeowners'
24 lender is under investigation for predatory lending, or that Defendants are investigating the
25 homeowners' lender for predatory lending.

26 57. At the time these untrue or misleading representations were made, Non-Attorney
27 Defendants knew or by the exercise of reasonable care should have known that the
28 representations were untrue or misleading.

1 little or nothing to assist them, they demanded the promised refund. Despite Non-Attorney
2 Defendants' promises, clients are regularly denied refunds, as alleged in Paragraph 30 above;

3 (d) Non-Attorney Defendants deceive clients into believing that they do not
4 have to continue to make their monthly mortgage payments to their lender while their case is in
5 "litigation," and that they can instead divert up to 50 percent of those funds to pay Defendants'
6 upfront fees as described in Paragraphs 33, 36 and 38 above. Clients relied on Defendants'
7 advice in part because Non-Attorney Defendants assured them that they had never lost a case and
8 that the missed mortgage payments would not endanger or adversely impact the clients. Non-
9 Attorney Defendants' advice placed clients in even greater jeopardy of losing their homes, and
10 many clients in fact lost their homes as described in Paragraph 47 above;

11 (e) Non-Attorney Defendants bill clients monthly for legal fees before any
12 contract attorney is ever assigned to the case, and despite Defendants providing little or no legal
13 services to their clients. Furthermore, Defendant US LEGAL SERVICES fails to provide clients
14 with invoices or an accounting of the services that have purportedly been provided;

15 (f) Non-Attorney Defendants engage in conduct more specifically set forth in
16 Paragraphs 24 through 52;

17 (g) Non-Attorney Defendants violate Business and Professions Code section
18 17533.6, by employing the use of terms and symbols on mailers, which give the appearance that
19 Defendants were connected to, or endorsed by a state or local governmental agency, as described
20 in Paragraph 26 above;

21 (h) Non-Attorney Defendants violate Business and Professions Code sections
22 6125 and 6126, by advertising that they are practicing or entitled to practice law, without being
23 authorized to practice law, and by engaging in the unauthorized practice of law, as described in
24 Paragraphs 33 through 48 above;

25 (i) Non-Attorney Defendants violate Business and Professions Code section
26 6155, by directly or indirectly referring potential clients to attorneys without being registered as a
27 lawyer referral service by the State Bar;

28

1 (j) Non-Attorney Defendants violate Business and Professions Code section
2 17500, as more particularly alleged in Paragraphs 55 through 57 above;

3 (k) Non-Attorney Defendants violate Civil Code section 2944.7, by collecting
4 advance fees from consumers for loan modification services or other forms of mortgage loan
5 forbearance services from October 11, 2009, to the present as described in Paragraph 50 above;

6 (l) Non-Attorney Defendants violate Civil Code section 2944.6 by failing to
7 provide the required written notice to its clients prior to entering into any fee agreement for loan
8 modification services or other forms of mortgage loan forbearance from October 11, 2009, to the
9 present, as described in Paragraph 51 above;

10 (m) Non-Attorney Defendants violate Civil Code section 2945.4, subdivision
11 (a) by collecting advance fees before performing loan modification services for consumers who
12 had already defaulted on their mortgage obligations and whose lenders had recorded notices of
13 default against the consumers' properties, as specifically described in Paragraph 49 above;

14 (n) Non-Attorney Defendants violate Civil Code section 2945.45 by failing to
15 register and obtain a certificate of registration as foreclosure consultants from the Department of
16 Justice as specifically described in Paragraphs 8 through 12 above.

17 **THIRD CAUSE OF ACTION AGAINST**
18 **DEFENDANTS US LEGAL ADVISORS, US LEGAL SERVICES,**
19 **SANDISON, BARKER, AND PULVINO**
20 **VIOLATION OF CIVIL CODE SECTION 2944.7**
21 **(COLLECTING ADVANCE FEES)**

22 60. Plaintiff realleges Paragraphs 1 through 54 and incorporates those Paragraphs by
23 reference as though they were fully set forth in this cause of action.

24 61. In addition to the conduct alleged as part of the First and Second Causes of
25 Action in this Complaint, from October 11, 2009, to the present, Non-Attorney Defendants also
26 violated and continue to violate Civil Code section 2944.7, subdivision (a)(1), by collecting
27 advance fees from consumers for loan modification services and other forms of mortgage loan
28 services as described in Paragraph 50 above.

1 72. Defendant STEIN entered into a business arrangement with Defendant US
2 LEGAL SERVICES since at least March 2009, and was attorney of record in at least 40 cases
3 assigned to him by Defendant US LEGAL SERVICES on behalf of homeowners. Defendant
4 STEIN entered into a business arrangement with Defendant US LEGAL SERVICES in which US
5 LEGAL SERVICES would refer clients to him, pay him a monthly fee of \$250 per case, and
6 provide "legal services" for each client's case as long as he did not interfere with the relationship
7 between Defendant US LEGAL SERVICES and the client. Defendant STEIN failed to disclose
8 this arrangement with clients referred to him by Defendant US LEGAL SERVICES, and US
9 LEGAL SERVICES paid him thousands of dollars as part of this business arrangement.
10 Defendant STEIN never met or had any contact with clients prior to the time that cases were
11 assigned to him by Defendant US LEGAL SERVICES.

12 73. Defendants LAPIN and STEIN, and Does 51-100 (the Attorney Defendants)
13 have engaged in unfair competition as defined in Business and Professions Code section 17200
14 by engaging in acts and practices which include, but are not necessarily limited to:

15 (a) Violating Business and Professions Code sections 6125 and 6126, and
16 California Rules of Professional Conduct, rule 1-300(A), by aiding persons or entities in the
17 unauthorized practice of law as described in Paragraphs 33 through 48, and Paragraphs 71
18 through 72, above;

19 (b) Violating California Rules of Professional Conduct, rule 1-320(A) by
20 directly or indirectly sharing legal fees with a non-lawyer, as described in Paragraph 41, and
21 Paragraphs 71 through 72, above;

22 (c) Violating California Rules of Professional Conduct, rule 1-600 by allowing
23 non-lawyers to interfere with the independence and judgment of the lawyer, as described in
24 Paragraphs 41 through 48 above;

25 (d) Violating California Rules of Professional Conduct, rule 3-110(A) by
26 intentionally, recklessly, or repeatedly failing to perform legal services with competence and by
27 failing to properly supervise employees, as described in Paragraphs 41 through 48 above.
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PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for judgment as follows:

1. That Defendants, their successors, agents, representatives, employees, assigns and all persons who act in concert with Defendants be permanently enjoined from making any untrue or misleading statements in violation of Business and Professions Code section 17500, including, but not limited to, the untrue or misleading statements alleged in this Complaint, under the authority of Business and Professions Code section 17535;

2. That Defendants, their successors, agents, representatives, employees, assigns and all persons who act in concert with Defendants be permanently enjoined from engaging in unfair competition as defined in Business and Professions Code section 17200, including, but not limited to, the acts and practices alleged in this Complaint, under the authority of Business and Professions Code section 17203;

3. That the Court make such orders or judgments as may be necessary, including preliminary injunctive and ancillary relief, to prevent the use or employment by any Defendant of any practice which violates section 17500 of the Business and Professions Code, or which may be necessary to restore to any person in interest any money or property, real or personal, which may have been acquired by means of any such practice, under the authority of Business and Professions Code section 17535;

4. That the Court make such orders or judgments as may be necessary, including preliminary injunctive and ancillary relief, to prevent the use or employment by any Defendant of any practice which constitutes unfair competition or as may be necessary to restore to any person in interest any money or property, real or personal, which may have been acquired by means of such unfair competition, under the authority of Business and Professions Code section 17203;

5. That the Court assess a civil penalty of \$2,500 against each Non-Attorney Defendant for each violation of Business and Professions Code section 17200, in an amount according to proof but not less than \$5 million, under the authority of Business and Professions Code section 17206;

1 6. That the Court assess a civil penalty of \$2,500 against each Non-Attorney
2 Defendant for each violation of Business and Professions Code section 17500, in an amount
3 according to proof but not less than \$25 million, under the authority of Business and Professions
4 Code section 17536;

5 7. That the Court assess a civil penalty of \$2,500 against each Non-Attorney
6 Defendant for each violation of Business and Professions Code section 17200 perpetrated against
7 a senior citizen or disabled person, in an amount according to proof under the authority of
8 Business and Professions Code section 17206.1;

9 8. That the Court assess a fine of not more than \$50,000 against each Non-Attorney
10 Defendant business entity and not more than \$10,000 against each remaining Non-Attorney
11 Defendant for each violation of Civil Code section 2944.7, in an amount according to proof, but
12 not less than \$80,000, under the authority of Civil Code section 2944.7, subdivision (b);

13 9. That the Court assess a fine of not more than \$50,000 against each Non-Attorney
14 Defendant business entity and not more than \$10,000 against each remaining Non-Attorney
15 Defendant for each violation of Civil Code section 2944.6, in an amount according to proof, but
16 not less than \$80,000, under the authority of Civil Code section 2944.6, subdivision (c);

17 10. That the Court assess a fine of not more than \$10,000 against each Non-Attorney
18 Defendant for each violation of Civil Code section 2945.4, in an amount according to proof but
19 not less than \$5 million, under the authority of Civil Code section 2945.7;

20 11. That the Court assess a fine of not less than \$1,000 and not more than \$25,000
21 against each Non-Attorney Defendant for each violation of Civil Code section 2945.45,
22 subdivision(a), in an amount according to proof, but not less than \$25 million, under the authority
23 of Civil Code 2945.45, subdivision (d);

24 12. That the Court order each of the remedies provided in Business and Professions
25 Code section 6126.5 for each act of the Non-Attorney Defendants that constituted a violation of
26 Business and Profession Code sections 6125 and 6126, as alleged in the Second Cause of Action,
27 including but not limited to:

28 (a) Actual damages incurred by consumers in an amount proven at trial.

1 (b) Restitution of all amounts paid by consumers to Defendants, in an amount
2 proven at trial.

3 (c) The payment of reasonable attorney's fees and costs that consumers may
4 expend to rectify errors made by Defendants in their unlawful practice of law.

5 (d) Prejudgment interest at the legal rate from each consumer's date(s) of loss
6 to the date of judgment.

7 13. That the Court assess a civil penalty of \$2,500 against each Attorney Defendant
8 for each violation of Business and Professions Code section 17200, in an amount according to
9 proof, under the authority of Business and Professions Code section 17206;

10 14. That the Court assess a civil penalty of \$2,500 against each Attorney Defendant
11 for each violation of Business and Professions Code section 17200 perpetrated against a senior
12 citizen or disabled person, in an amount according to proof, under the authority of Business and
13 Professions Code section 17206.1;

14 15. That Plaintiff be awarded attorney's fees and exemplary damages pursuant to
15 Business and Professions Code section 6126.5, subdivision (c);

16 16. That Plaintiff recovers its costs of suit, including costs of investigation; and

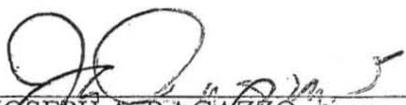
17 17. For such other and further relief that the Court deems just, proper, and equitable.

18 Dated: October 6, 2010

Respectfully Submitted,

19 EDMUND G. BROWN JR.
20 Attorney General of California
21 FRANCES T. GRUNDER
22 Senior Assistant Attorney General
23 KATHRIN SEARS
24 Supervising Deputy Attorney General

24 By:


25 JOSEPH A. RAGAZZO
26 Deputy Attorney General

27 Attorneys for Plaintiff
28 THE PEOPLE OF THE STATE OF
CALIFORNIA

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