

NOTE: CHANGES MADE BY THE COURT

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Federal Trade Commission,

Plaintiff,

v.

Federal Loan Modification

Law Center, LLP, et al.

Defendants,

and

MGO Capital

Relief Defendant.

Case No. SACV09-401 CJC (MLGx)

**(PROPOSED) DEFAULT
JUDGEMENT AND ORDER
AS TO DEFENDANTS FEDERAL
LOAN MODIFICATIONS, LEGAL
TURN, INC., FEDERAL LOAN
MODIFICATION, LLC, SBSC
CORPORATION,
LEGAL TURN, LLC AND RELIEF
DEFENDANT MGO CAPITAL**

Judge: Hon. Cormac J. Carney

Plaintiff Federal Trade Commission (“FTC”) commenced this civil action on April 3, 2009, pursuant to Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), to obtain preliminary and permanent injunctive and other equitable relief for Defendants’

1 violations of Section 5 of the FTC Act, 15 U.S.C. § 45, in connection with the
2 marketing and sale of mortgage loan modification and foreclosure relief services.
3 The FTC subsequently filed a First Amended Complaint on June 24, 2009, naming
4 Defendants Federal Loan Modifications, SBSC Corporation, and Venture Legal
5 Support, PLC and Relief Defendants Legal Turn, LLC and MGO Capital, and a
6 Second Amended Complaint on October 1, 2010, naming LegalTurn, LLC as a
7 Defendant, and removing that company as a Relief Defendant. The Court entered a
8 Preliminary Injunction Order (“PI Order”) in this case enjoining Defendants from,
9 among other things, collecting advance fees from consumers, from making certain
10 representations about their services, and from disposing of assets outside the
11 ordinary course of business. On September 14, 2009, the Court entered default
12 against Defendants LegalTurn, Inc., Federal Loan Modification, LLC, SBSC
13 Corporation, and Relief Defendant MGO Capital for their failure to defend. The
14 Court subsequently entered default against Defendant Federal Loan Modifications on
15 September 7, 2010, and against Defendant Legal Turn, LLC on November 15, 2010.

16 The FTC has moved for default judgment on all counts of the Second
17 Amended Complaint against Defendants LegalTurn, Inc., Federal Loan
18 Modification, LLC, SBSC Corporation, Federal Loan Modifications, Legal Turn,
19 LLC, and Relief Defendant MGO Capital pursuant to Rule 56(c) of the Federal Rules
20 of Civil Procedure. The FTC’s Motion for Default Judgment against Defendants is
21 **GRANTED**, and **IT IS FURTHER ORDERED** as follows:

22 FINDINGS

23 After consideration of the FTCs Motion for Default Judgment, the Court finds:

24 1. This is an action by the FTC brought pursuant to Sections 5 and 13(b)
25 of the FTC Act, 15 U.S.C. §§ 45 and 57(b). The Second Amended Complaint seeks
26 both permanent injunctive relief and consumer redress for the Defendants’ alleged
27 deceptive acts or practices in connection with the marketing and sale of mortgage
28 loan modification and foreclosure relief services.

1 2. The FTC has authority under Sections 13(b) of the FTC Act to seek the
2 relief it has requested, and the Second Amended Complaint states a claim upon
3 which relief can be granted against Defendants LegalTurn, Inc., Federal Loan
4 Modification, LLC, SBSC Corporation, Federal Loan Modifications, Legal Turn,
5 LLC, and Relief Defendant MGO Capital.

6 3. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§
7 1331, 1337(a) and 1345, and 15 U.S.C. §§ 45(a) and 53(b) and has jurisdiction over
8 Defendants and Relief Defendant. Venue in the Central District of California is
9 proper.

10 4. The activities of Defendants LegalTurn, Inc., Federal Loan
11 Modification, LLC, SBSC Corporation, Federal Loan Modifications, and Legal Turn,
12 LLC, as alleged in the Second Amended Complaint, are in or affecting commerce, as
13 defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

14 5. The factual allegations in the FTC's Second Amended Complaint are
15 taken as true against Defendants. Those allegations and the evidence supporting
16 them establish that Defendants violated Section 5(a) of the FTC Act, 15 U.S.C.
17 § 45(a), which prohibits unfair and deceptive acts or practices in or affecting
18 commerce.

19 6. Defendants, in connection with the advertising, marketing, promotion,
20 offering for sale, and sale of mortgage loan modification services, violated Section
21 5(a) of the FTC Act, 15 U.S.C. § 45(a) by making false and misleading statements to
22 induce consumers to purchase these services, including but not limited to the
23 representations that Defendants would obtain loan modifications for consumers in all
24 or virtually all cases and that Defendants were part of, affiliated with, or endorsed by
25 the United States Government or one or more federal government programs.

26 7. Defendants have operated as a common enterprise in engaging in
27 deceptive acts and practices in violation of Section 5(a) of the FTC Act. Defendants
28 share or have shared office space and employees, are commonly controlled,

1 commingle or have commingled funds, and have participated in a common scheme to
2 deceive consumers. Because Defendants have operated as a common enterprise,
3 each of them is jointly and severally liable for the acts and practices alleged in the
4 FTC's Second Amended Complaint.

5 8. Relief Defendant MGO Capital has received funds and other property
6 that were derived unlawfully from payments by consumers as a consequence of the
7 acts and practices alleged in the FTC's Second Amended Complaint, and does not
8 have a legitimate claim to those funds.

9 9. This action and the relief awarded herein, are in addition to, and not in
10 lieu of, other remedies as may be provided by law, including both civil and criminal
11 remedies.

12 10. Entry of this Order is in the public interest.

13 11. Entry of this Order resolves the FTC's action against Defendants and
14 Relief Defendant, and there is no just reason for delay in certifying this Order as
15 final. Therefore, the FTC is entitled to entry of this judgment now pursuant to Rule
16 54(b).

17 DEFINITIONS

18 For the purposes of this Order, the following definitions shall apply:

19 1. "**Defendants**" mean LegalTurn, Inc., Federal Loan Modification, LLC,
20 SBSC Corporation, Federal Loan Modifications, and Legal Turn, LLC.

21 2. "**Relief Defendant**" means MGO Capital.

22 3. "**Person**" means a natural person, organization, or other legal entity,
23 including a corporation, partnership, proprietorship, association, cooperative, or any
24 other group or combination acting as an entity.

25 4. "**Servicer**" means any beneficiary, mortgagee, trustee, loan servicer,
26 loan holder, or any entity performing loan or credit account administration or
27 processing services and/or its authorized agents.

28 5. "**Assisting others**" includes, but is not limited to, providing any of the

1 following goods or services to another person: (A) performing customer service
2 functions, including, but not limited to, receiving or responding to consumer
3 complaints; (B) formulating or providing, or arranging for the formulation or
4 provision of, any telephone sales script or any other marketing material, including
5 but not limited to, the text of any Internet website, email, or other electronic
6 communication; (C) providing names of, or assisting in the generation of, potential
7 customers; (D) performing marketing services of any kind; or (E) acting or serving
8 as an owner, officer, director, manager, or principal of any entity.

9 6. **“Material fact”** means any fact that is likely to affect a person’s choice
10 of, or conduct regarding, goods or services.

11 7. **“For-profit”** means any activity organized to carry on business for the
12 profit of the entity engaging in the activity or that of its members.

13 8. **“Credit”** means the right granted by a creditor to a debtor to defer
14 payment of debt or to incur debt and defer its payment.

15 9. **“Advance-fee loan”** means any good service, plan, or program that is
16 represented, expressly or by implication, to provide any consumer, arrange for any
17 consumer to receive, or assist any consumer in receiving, a loan or other extension of
18 credit, in exchange for payment of any fee or other consideration in advance of the
19 consumer receiving the represented loan or other extension of credit.

20 10. **“Credit repair good or service”** means any good, service, plan or
21 program represented, expressly or by implication, to (A) improve, or arrange to
22 improve, any consumer’s credit record, credit history, or credit rating, or (B) provide
23 advice or assistance to any consumer with regard to any activity or service the
24 purpose of which is to improve a consumer’s credit record, credit history, or credit
25 rating.

26 11. **“Debt relief good or service”** means any good, service, plan or
27 program, including debt management plans, debt settlement, debt negotiation, and
28 for-profit credit counseling, represented, expressly or by implication, to renegotiate,

1 settle, or in any way alter the terms of payment or other terms of any secured or
2 unsecured debt, including but not limited to credit card, medical, vehicle loan, and
3 tax debt, between a consumer and one or more creditors, servicers, or debt collectors,
4 including but not limited to, a reduction in the balance, interest rate, or fees owed by
5 a consumer to a creditor, servicer, or debt collector.

6 12. ***“Mortgage loan modification or foreclosure relief service”*** means any
7 good, service, plan, or program that is represented, expressly or by implication, to
8 assist a consumer in any manner to (A) stop, prevent, or postpone any home
9 mortgage or deed of trust foreclosure sale; (B) obtain or arrange a modification of
10 any term of a home loan, deed of trust, or mortgage; (C) obtain any forbearance from
11 any mortgage loan holder or servicer; (D) exercise any right of reinstatement of any
12 mortgage loan; (E) obtain, arrange, or attempt to obtain or arrange any extension of
13 the period within which the owner of property sold at foreclosure may cure his or
14 her default or reinstate his or her obligation; (F) obtain any waiver of an acceleration
15 clause contained in any promissory note or contract secured by a deed of trust or
16 mortgage on a residence in foreclosure or contained in that deed of trust; (G) obtain a
17 loan or advance of funds that is connected to the consumer's home ownership; (H)
18 avoid or ameliorate the impairment of the consumer's credit record, credit history, or
19 credit rating that is connected to the consumer's home ownership; (I) save the
20 consumer's residence from foreclosure; (J) assist the consumer in obtaining proceeds
21 from the foreclosure sale of the consumer's residence; (K) obtain or arrange a
22 pre-foreclosure sale, short sale, or deed-in-lieu of foreclosure; (L) obtain or arrange a
23 refinancing, recapitalization, or reinstatement of a home loan, deed of trust, or
24 mortgage; (M) audit or examine a consumer's mortgage or home loan application; or
25 (N) obtain, arrange, or attempt to obtain or arrange any extension of the period
26 within which the renter of property sold at foreclosure may continue to occupy the
27 property. The foregoing shall include any manner of claimed assistance, including,
28 but not limited to, debt, credit, budget, or financial counseling; receiving money for

1 the purpose of distributing it to creditors; contacting creditors or servicers on behalf
2 of the consumer; and giving advice of any kind with respect to filing for bankruptcy.

3 13. ***“Federal homeowner relief or financial stability program”*** means any
4 program (including its sponsoring agencies, telephone numbers, and Internet
5 websites) operated or endorsed by the United States government to provide relief to
6 homeowners or stabilize the economy, including but not limited to (A) the Making
7 Home Affordable Program; (B) the Financial Stability Plan; (C) the Troubled Asset
8 Relief Program and any other program sponsored or operated by the United States
9 Department of the Treasury; (D) the HOPE for Homeowners program, any program
10 operated or created pursuant to the Helping Families Save Their Homes Act, and any
11 other program sponsored or operated by the Federal Housing Administration; or (E)
12 any program sponsored or operated by the United States Department of Housing and
13 Urban Development (“HUD”), the HOPE NOW Alliance, the Homeownership
14 Preservation Foundation, or any other HUD-approved housing counseling agency.

15 **ORDER**

16 **BAN ON MORTGAGE LOAN MODIFICATION AND FORECLOSURE**

17 **RELIEF SERVICES**

18 **I. IT IS THEREFORE ORDERED** that Defendants, whether acting directly or
19 through any other person, are permanently restrained and enjoined from

20 A. Advertising, marketing, promoting, offering for sale, or selling any
21 mortgage loan modification or foreclosure relief service; and

22 B. Assisting others engaged in advertising, marketing, promoting, offering
23 for sale, or selling any mortgage loan modification or foreclosure relief service.

24 **BAN ON DEBT RELIEF AND CERTAIN OTHER FINANCIAL-RELATED**

25 **GOODS AND SERVICES**

26 **II. IT IS FURTHER ORDERED** that Defendants, whether acting directly or
27 through any other person, are permanently restrained and enjoined from:

28 A. Advertising, marketing, promoting, offering for sale, and or selling any

1 debt relief good or service, credit repair good or service, advance fee loan, or any
2 credit, debit, or stored value card, including pre-paid calling cards; or

3 B. Assisting others engaged in advertising, marketing, promoting, offering
4 for sale, or selling of any debt relief good or service, credit repair good or service,
5 advance fee loan, or any credit, debit, or stored value card, including pre-paid calling
6 cards.

7 **PROHIBITED REPRESENTATIONS RELATING TO ANY GOODS OR**
8 **SERVICES**

9 **III. IT IS FURTHER ORDERED** that Defendants and their successors, assigns,
10 officers, agents, servants, employees, and attorneys, and those persons or entities in
11 active concert or participation with any of them who receive actual notice of this
12 Order by personal service, facsimile transmission, email, or otherwise, whether
13 acting directly or through any corporation, subsidiary, division, or other device, in
14 connection with the advertising, marketing, promotion, offering for sale or sale of
15 any good, service, plan, or program, are hereby permanently restrained and enjoined
16 from misrepresenting or assisting others in misrepresenting, expressly or by
17 implication, any material fact, including but not limited to:

18 A. Any material aspect of the nature or terms of any refund, cancellation,
19 exchange, or repurchase policy, including, but not limited to, the likelihood of a
20 consumer obtaining a full or partial refund, or the circumstances in which a full or
21 partial refund will be granted to the consumer;

22 B. That any person is affiliated with, endorsed or approved by, or
23 otherwise connected to any other person, government entity, any federal homeowner
24 relief or financial stability program, or any other program;

25 C. The total costs to purchase, receive, or use, and the quantity of, the good
26 or service;

27 D. Any material restriction, limitation, or condition to purchase, receive, or
28 use the good or service; and

1 E. Any material aspect of the performance, efficacy, nature, or
2 characteristics of the good or service.

3 **MONETARY RELIEF**

4 **IV. IT IS FURTHER ORDERED** that:

5 A. Judgment is hereby entered against Defendants, jointly and severally, in
6 the amount of ten million three-hundred ninety-seven thousand two-hundred sixty
7 dollars (\$10,397,260). This amount shall become immediately due and payable by
8 Defendants upon entry of this Order, and interest computed at the rate prescribed
9 under 28 U.S.C. § 1961, as amended, shall immediately begin to accrue on the
10 unpaid balance;

11 B. Judgment is hereby entered against Relief Defendant MGO Capital in
12 the amount of two hundred thirteen thousand seven hundred thirty-seven dollars
13 (\$213,737).

14 C. Any funds received by the FTC pursuant to this Section shall be
15 deposited into a fund administered by the FTC or its agent to be used for equitable
16 relief, including but not limited to consumer redress and any attendant expenses for
17 the administration of any redress funds. In the event that direct redress to consumers
18 is wholly or partially impracticable or funds remain after redress is completed, the
19 FTC may apply any remaining funds for such other equitable relief, including but not
20 limited to consumer information remedies, as the FTC determines to be reasonably
21 related to the practices alleged in the Amended Complaint. Any funds not used for
22 such equitable relief shall be deposited to the U.S. Treasury as equitable
23 disgorgement. Defendants shall have no right to challenge the FTC's choice of
24 remedies or the manner of distribution.

25 D. The judgment entered pursuant to this Section is equitable monetary
26 relief, solely remedial in nature, and not a fine, penalty, punitive assessment or
27 forfeiture.

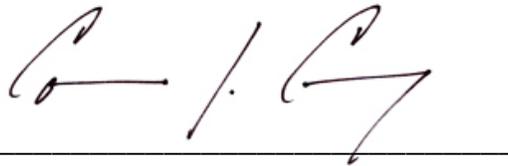
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1 E. Pursuant to Section 604(1) of the Fair Credit Reporting Act, 15 U.S.C.
2 § 1681b(1), any consumer reporting agency may furnish a consumer report
3 concerning Defendants to the FTC, which shall be used for purposes of collecting
4 and reporting on any delinquent amount arising out of this Order.

5 **RETENTION OF JURISDICTION**

6 **V. IT IS FURTHER ORDERED** that this Court shall retain jurisdiction of this
7 matter for purposes of construction, modification, and enforcement of this Order.

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11 **IT IS SO ORDERED**, this 6th day of December, 2010

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16 Cormac J. Carney
17 United States District Judge
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