



## ***FACT SHEET***

### Masheyeva v. Law Offices of David M. Green

#### **CONTACT MEDIA RELATIONS**

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*All statements below are allegations provided by the plaintiffs. None of these allegations have been proven yet.*

#### **ABOUT Masheyeva v. Law Offices of David M. Green**

Eighteen homeowners from New York and six other states filed a lawsuit against a network of loan modification companies based in Long Island, New York, as well as their owners and chief employees, asserting several causes of action arising out of the companies' loan modification activities including those for breach of contract, fraud, legal malpractice, and violations of consumer protection statutes in New York. The lawsuit alleges that the defendants operated a fraudulent scheme in which they lured homeowners in need of mortgage assistance with false promises of guaranteed mortgage loan modifications, and then failed to deliver on those promises after collecting thousands of dollars in upfront fees from the homeowners. The plaintiffs now seek monetary and injunctive relief against the defendants for their damages caused by the Defendants' loan modification scams. The Lawyers Committee for Civil Rights Under Law and Davis Polk & Wardwell LLP are representing the plaintiffs free of charge.

#### **ABOUT THE PLAINTIFFS**

The plaintiffs in Masheyeva v. Law Offices of David M. Green include:

***Ms. Angelina Masheyeva and Mr. Vadim Vorobyov (Staten Island, New York) (¶¶ 100-170):***

- Ms. Masheyeva and Mr. Vorobyov are a married couple with 3 children.
- In 2009, the couple began having trouble making their mortgage payments due to several high medical bills for their child.
- In or about August 2009, Ms. Masheyeva received an unsolicited phone call from a representative advertising the services of the Law Offices of David M. Green. To this

day, Ms. Masheyeva and Mr. Vorobyov do not know how this representative obtained their phone number.

- During this first phone call, the representative told Ms. Masheyeva that she would be unable to get a loan modification on her own. He stated that if she and her husband engaged the services of the Law Offices of David M. Green, they would be able to lower their monthly mortgage payments by at least \$1,000.00.
- In a subsequent phone conversation, the defendants assured Ms. Masheyeva that she and her husband's financial situation sounded "great" for a loan modification.
- The defendants charged Ms. Masheyeva and Mr. Vorobyov \$3,500.00 in upfront fees for their purported loan modification services.
- At no time did Defendants inform Ms. Masheyeva and Mr. Vorobyov that they could obtain free modification assistance from housing counselors at the Department of Housing and Urban Development ("HUD")
- Ms. Masheyeva and Mr. Vorobyov were encouraged by the defendants to cease making their monthly mortgage payments. Defendants represented to Ms. Masheyeva and Mr. Vorobyov that if their lender would not negotiate the modification if the couple made a payment.
- Ms. Masheyeva and Mr. Vorobyov were also told to stop all communications with their lender.
- On one occasion, Ms. Masheyeva reported to the defendants that someone had been taking pictures of her home and that she was concerned that this meant that foreclosure proceedings were imminent. A representative of the Law Offices of David M. Green assured her that this was just "procedure" and that it "happens to everyone."
- On another occasion, Ms. Masheyeva told a defendant about a letter she and her husband received from their lender regarding the possibility of a short sale on their home. The defendant told her that this was "garbage mail."
- Ms. Masheyeva and Mr. Vorobyov never received the mortgage loan modification promised by the defendants. In fact, in January 2011, Ms. Masheyeva and Mr. Vorobyov learned from their lender that they did not even qualify for a loan modification.
- When Ms. Masheyeva and Mr. Vorobyov demanded a refund of the \$3,500.00 they paid in upfront fees from the defendants and objected to defendants' practice of collecting thousands of dollars in upfront fees for loan modification services, Defendant David Green responded, "an attorney is exempt from the loan modification/foreclosure defense rules."
- The couple is currently facing foreclosure proceedings.

***Ms. Cynthia Stewart (Elmont, New York) ( ¶¶ 385-417):***

- Ms. Stewart is a single mother of two children. She began having trouble making her monthly mortgage payments when her monthly expenses increased significantly due to her son's enrollment in college and several loan payments becoming due.
- In March 2011, Ms. Stewart received an unsolicited phone call from a representative of the loan modification company Empire Home Savings advertising the company's loan modification services. The representative encouraged Ms. Stewart to come to the company's offices and speak with a "specialist" who would be able to help her obtain a loan modification. Ms. Stewart was later told by one of the defendants that Empire Home Savings was closely affiliated with the Law Offices of David M. Green.

- In April 2011, Ms. Stewart went to their offices and learned that if she engaged the defendants' loan modification services, her application would be prepared and reviewed by attorneys at the Law Offices of David M. Green.
- Ms. Stewart was also told by a defendant that he knew a representative at her lender's office personally and that Ms. Stewart's loan modification application had already been approved pending submission of final paperwork.
- In addition, a defendant told Ms. Stewart that she would be unable to obtain a loan modification on her own and that she needed an "advocate" to participate in the negotiations with her lender.
- Ms. Stewart was originally told that the defendants' loan modification service would cost her \$2,500.00 in upfront fees but that the defendants had a "money-back guarantee" and would refund her money if her application was not approved.
- Ms. Stewart explained to one of the defendants that she could not afford a \$2,500.00 fee and that she had only approximately \$2,150.00, which constituted her bimonthly paycheck. The defendants accepted this lower fee and Ms. Stewart endorsed her paycheck of \$2,142.49 to the defendants. Ms. Stewart was repeatedly assured that the upfront fee would be held in escrow until her loan modification was complete.
- Ms. Stewart was advised to ignore any foreclosure notices from her lender and to delay or stop making her mortgage payments.
- Shortly after Ms. Stewart paid her upfront fee, the defendants became unreachable. They refused to return her calls or voicemail messages. When she contacted her lender, she learned that no application for a loan modification had been filed by the defendants.
- Ms. Stewart continues to struggle to make her mortgage payments.

### **ABOUT THE LEGAL CLAIMS**

The plaintiffs are seeking monetary damages as well as injunctive relief against the defendants, asserting that without judicial intervention preventing the defendants from engaging in further scams, other homeowners will be at risk of losing thousands of dollars in illegal upfront fees and other financial penalties, and will be at risk of facing foreclosure proceedings. The complaint also alleges various causes of action including:

- Violation of N.Y. General Business Law § 349 ("Deceptive Practices Act") and § 350 ("False Advertisement"): The defendants are alleged to have made numerous false promises and misrepresentations to the plaintiffs in violation of the Deceptive Practices Act, including misrepresenting the nature and quality of their loan modification services, misrepresenting the progress of the plaintiffs' loan modification applications, and encouraging the plaintiffs to stop paying their monthly mortgage payments and/or stop communicating with their lenders/servicers. Defendants also falsely advertised their services, which plaintiffs' relied on to their detriment. (¶¶ 481-488)
- Breach of Contract: The defendants are alleged to have breached their oral and written contracts with the plaintiffs by failing to perform the services they promised the plaintiffs, and/or failing to refund thousands of dollars in upfront fees obtained from the plaintiffs. (¶¶ 561-565)

- Violation of Real Property Law § 265-b: The defendants are alleged to have violated N.Y. Real Property Law § 265-b by accepting upfront fees from distressed homeowners in exchange for offering to negotiate the terms of their mortgage loans. According to the complaint, the defendants did not provide direct consulting services in the course of a “regular legal practice.” (¶¶ 513-523)
- Fraud, Violation of New York Banking Law § 590, and Legal Malpractice: The defendants’ false representations also constituted fraud and legal malpractice. For example, the defendants fraudulently concealed the progress of plaintiffs’ loan modification applications and then abandoned several plaintiffs after receiving their upfront fees. Defendants then refused to refund plaintiffs’ fees, despite the fact that plaintiffs never received any legal services and/or their “guaranteed” modification. Finally, New York Banking Law § 590 requires persons or entities “who are in the business of soliciting, processing, placing or negotiating mortgage loans” to register as “mortgage brokers” with the Superintendent of the New York State Banking Department. Some defendants have flagrantly disregarded this registration requirement. (¶¶ 524-552, 498-512, 566-569)