

Judge shuts down companies accused of scamming homeowners

8/15/2011 COMMENTS (0)

NEW YORK, Aug 15 (Reuters) - A Long Island judge on Monday ordered the temporary shutdown of New York-based companies accused of using "fast-talking salespeople and masterfully deceptive websites" to defraud more than a thousand homeowners in a multi-million mortgage loan modification scam.

The preliminary injunction granted by Nassau County Supreme Court Justice John Galasso freezes the operations of Homesafe America Inc. and its successor, United Legal Solutions, and prevents the company's co-founders, Guy Samuel and Scott Schreiber, from taking part in any mortgage-assistance relief services while the case against them unfolds.

Fifteen homeowners filed suit in June against the companies, its chief officers and nearly two dozen employees, accusing them of fraud, deceptive practices and false advertising, among other claims.

The complaint alleged that the defendants falsely promised to modify the mortgages of lower- and middle-class homeowners for an upfront payment of several thousand dollars.

But once the companies got their money, they offered little, if any, assistance to their customers, according to the complaint. Using a network of websites, Homesafe took in more than \$2 million in 2010 alone and, as of February, had accepted money from approximately 1,000 families across the country, the plaintiffs said.

The lawsuit is one of several recently filed against mortgage-modification companies on behalf of homeowners by the Lawyers' Committee for Civil Rights Under Law and attorneys from the law firm Davis Polk & Wardwell.

SIFTING THROUGH CUSTOMER FILES

The homeowners' attorneys said they are currently sifting through more than 70,000 pages of customer files turned over by the defendants to determine the full scope of their operations.

They are seeking \$1.5 million in damages from Homesafe and its successor. They are also asking the court for a permanent order shutting former Homesafe employees out of mortgage-related businesses.

Elliott Martin, the attorney representing Schreiber, Homesafe, and United Legal, said his clients would not comment on the ruling.

But in a July 25 court filing, Martin argued that the plaintiffs were trying to "overwhelm" the defendants by demanding thousands of documents in a short time frame.

Schreiber is also attempting to point the finger at his former partner. In a sworn affidavit, Schreiber said Samuel took \$180,000 from the company in December, leaving it in "dire financial straits" and unable to recover. Schreiber said he did his best to refund customers' money, but that the company's customer accounts were frozen in early 2011.

An attorney listed for Samuel did not return a call seeking comment. The dispute over the money transfer is the subject of ongoing litigation in Nassau County.

A trial date in the mortgage modification suit has not been set.

The case is Mook et al v. Homesafe America Inc et al, in the Supreme Court of the State of New York, County of Nassau, no. 009472/11.

For the plaintiffs: Daniel Kolb of Davis Polk & Wardwell.

For Homesafe, United Legal Solutions and Schreiber: Elliott Martin.

For Samuel: Anthony LoPresti.

(Reporting by Jessica Dye)