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15 **UNITED STATES DISTRICT COURT**
16 **CENTRAL DISTRICT OF CALIFORNIA, WESTERN DIVISION**

17 Consumer Financial Protection Bureau,

18 Plaintiff,

19 v.

20
21 Stephen Lyster Siringoringo, an
22 individual, also d/b/a Siringoringo Law
23 Firm; Clausen & Cobb Management
24 Company, Inc., a corporation; Alfred
25 Clausen, an individual; and Joshua
Cobb, an individual,

26 Defendants.

Case No. 2:14-CV-5681

**COMPLAINT FOR PERMANENT
INJUNCTION AND OTHER
RELIEF**

1 **JURISDICTION AND VENUE**

2 1. This Court has subject-matter jurisdiction over this action because it is
3 “brought under Federal consumer financial law,” 12 U.S.C. § 5565(a)(1), presents
4 a federal question, 28 U.S.C. § 1331, and is brought by an agency of the United
5 States, 28 U.S.C. § 1345.

6 2. Venue is proper under 28 U.S.C. § 1391(b) and 12 U.S.C. § 5564(f)
7 because a substantial part of the events or omissions and course of conduct giving
8 rise to the claims set forth in this Complaint occurred in this district.

9 **INTRODUCTION**

10 3. The Consumer Financial Protection Bureau brings this action under
11 sections 1031, 1036(a), 1054, and 1055 of the Consumer Financial Protection Act
12 of 2010 (CFPA), 12 U.S.C. §§ 5531, 5536(a), 5564, 5565, and under section 626
13 of the Omnibus Appropriations Act, 2009 (as amended by section 1097 of the
14 CFPA), 12 U.S.C. § 5538, and its implementing regulation, the Mortgage
15 Assistance Relief Services Rule (MARS Rule, or Regulation O), 12 C.F.R. Part
16 1015 (2011), in connection with Defendants’ marketing and sale of purported
17 mortgage assistance relief services.

18 **PARTIES**

19 4. The Consumer Financial Protection Bureau is an independent agency
20 of the United States charged with regulating the offering and provision of
21 consumer-financial products and services under federal consumer-financial laws,
22 including the CFPA and Regulation O. 12 U.S.C. §§ 5481(12)(Q), (14), 5491(a),
23 5531, 5538.

24 5. The Bureau is authorized to initiate federal district court proceedings,
25 by its own attorneys, to enjoin violations of the CFPA and Regulation O, and to
26 secure such relief as may be appropriate in each case. 12 U.S.C. §§ 5564(a)-(b),
27 5565. This includes the rescission or reformation of contracts, the refund of
28

1 moneys paid, restitution, disgorgement or compensation for unjust enrichment, and
2 civil money penalties. *Id.* § 5565(a)(2).

3 6. Defendant Stephen Lyster Siringoringo (Siringoringo) is the principal
4 of Siringoringo Law Firm, a purported law firm with offices in San Bernardino
5 County, Riverside County, Orange County, and Los Angeles County, all in
6 California. Siringoringo has transacted business in this district.

7 7. Defendant Clausen & Cobb Management Company, Inc. (CCMC) is a
8 California corporation with an office in San Bernardino County, California. CCMC
9 has transacted business in this district.

10 8. Defendant Alfred Clausen (Clausen) is an owner and manager of
11 CCMC. Clausen has transacted business in this district.

12 9. Defendant Joshua Cobb (Cobb) is an owner and manager of CCMC.
13 Cobb has transacted business in this district.

14 10. Defendants Siringoringo, CCMC, Clausen, and Cobb, each acting
15 alone or in concert with others, offer or provide, or arrange for others to provide,
16 “mortgage assistance relief services,” as defined in Regulation O (12 C.F.R.
17 § 1015.2 (2011)), and “financial advisory services” within the meaning of the
18 CFPA, 12 U.S.C. § 5481(15)(A)(viii), including but not limited to loan-
19 modification and foreclosure-relief services.

20 11. Clausen and Cobb have had managerial responsibility for CCMC and
21 have materially participated in the conduct of its affairs, including the development
22 and approval of the purported mortgage assistance relief services described here.
23 Clausen and Cobb are intimately familiar with and direct CCMC’s operations,
24 including its purported mortgage assistance relief services. Both Clausen and Cobb
25 knew of and approved all of the practices described in this Complaint.

1 **SUMMARY OF COMPLAINT**

2 12. Since at least December 2010, Defendants have marketed and sold
3 purported mortgage assistance relief services to consumers. Defendants attracted
4 financially distressed homeowners through advertisements, mailings, and in-person
5 consultations, deceptively promising loan modifications and foreclosure relief in
6 exchange for advance fees. Defendants also misled consumers into believing that
7 an attorney would represent them in negotiations with their lenders or servicers. In
8 the end, consumers paid thousands of dollars each in advance fees, but in
9 numerous instances received none of the promised services or relief.

10 **DEFENDANTS' BUSINESS PRACTICES**

11 13. In or about December 2010, Defendants entered into an agreement
12 under which CCMC – a company owned and managed by Clausen and Cobb –
13 provided staffing, marketing, office space, equipment, and general operational and
14 administrative support to the Siringoringo Law Firm (SLF) – a purported law firm
15 of which Siringoringo was the principal – in its offering of loan-modification
16 services. Clausen and Cobb individually and in concert actively directed and
17 managed SLF's operations, including managing staff and overseeing
18 administrative functions; setting and enforcing policies and procedures; developing
19 marketing; and setting fees and controlling office finances. Siringoringo did not
20 typically have contact or involvement with clients or their lenders; those functions
21 were left to non-attorney CCMC personnel. Client files typically lacked any
22 documents written, authored, or signed by Siringoringo.

23 14. Defendants heavily marketed SLF's purported loan-modification
24 services through television, radio, and internet advertisements, as well as direct
25 mail and email solicitations, in both English and Spanish. A number of
26 advertisements featured Siringoringo describing his skills, experience, and success
27 in obtaining loan modifications. The advertisements deceptively suggested that
28

1 SLF enjoyed high rates of success in obtaining loan modifications and other
2 foreclosure relief and misled consumers into believing that they would receive the
3 services of an attorney, Siringoringo.

4 15. Consumers who went to SLF to inquire about the services it could
5 provide would meet with individuals employed by CCMC. Those individuals
6 would mislead consumers into believing that they were eligible for a loan
7 modification, that they would obtain a modification within 45 days, and that
8 Siringoringo would directly negotiate with their lender or servicer to obtain the
9 desired relief. CCMC personnel would present consumers with an SLF retainer
10 agreement that also misleadingly suggested that they would be receiving the
11 services of an attorney.

12 16. Defendants enrolled thousands of consumers through these practices.

13 17. Under the terms of the retainer agreement, Defendants charged
14 consumers an initial fee of between \$1,995 and \$3,500 for the purported
15 preparation of a loan-modification application and then charged a monthly fee of
16 \$495 for purported continued processing, communication, and negotiation with the
17 lender or servicer. Consumers paid all such fees before any written agreement was
18 reached with the consumers' lender or servicer or any other mortgage assistance
19 relief was obtained. Defendants never disclosed to consumers that they may stop
20 doing business with Defendants or reject an offer of mortgage assistance without
21 having to pay for Defendants' services. Defendants also failed to disclose that they
22 were not associated with the government and their services were not approved by
23 the government or the consumer's lender.

24 18. In numerous instances, after consumers paid Defendants' advance
25 fees, Defendants failed to answer or return consumers' telephone calls and emails
26 and failed to provide updates about the status of consumers' loan-modification
27 applications. In numerous instances, after consumers paid Defendants' advance
28

1 fees, Defendants failed to obtain loan modifications or foreclosure relief for
2 consumers.

3 19. In numerous instances, consumers received no representation by an
4 attorney.

5 REGULATION O

6 20. In 2010, the Federal Trade Commission promulgated the MARS Rule
7 to prohibit unfair and deceptive acts or practices with respect to mortgage-loan or
8 foreclosure-relief services. 16 C.F.R. Part 322. In the CFPB, Congress transferred
9 rulemaking authority over the MARS Rule to the Bureau, which recodified the
10 Rule as 12 C.F.R. Part 1015 and designated it “Regulation O.” The Bureau has
11 authority to enforce Regulation O, as well as the prior MARS Rule, under 12
12 U.S.C. §§ 5538(a), 5564. (References below to “Regulation O” encompass both
13 Regulation O and the MARS Rule.)

14 21. Regulation O defines “mortgage assistance relief service” as “any
15 service, plan, or program, offered or provided to the consumer in exchange for
16 consideration, that is represented, expressly or by implication, to assist or attempt
17 to assist the consumer with . . . [n]egotiating, obtaining, or arranging a
18 modification of any term of a dwelling loan, including a reduction in the amount of
19 interest, principal balance, monthly payments, or fees.” 12 C.F.R. § 1015.2 (2011).

20 22. Regulation O defines “mortgage assistance relief service provider” as
21 “any person that provides, offers to provide, or arranges for others to provide, any
22 mortgage assistance relief service,” other than the dwelling loan holder, the
23 servicer of a dwelling loan, or any agent or contractor of such individual or entity.
24 12 C.F.R. § 1015.2 (2011).

25 23. Defendants are “mortgage assistance relief provider[s]” engaged in
26 the provision of “mortgage assistance relief services” as those terms are defined in
27 Regulation O. 12 C.F.R. § 1015.2 (2011).

1 24. Regulation O prohibits any mortgage assistance relief service provider
2 from requesting or receiving payment of any fee or other consideration until the
3 consumer has executed a written agreement between the consumer and the
4 consumer's loan holder or servicer that incorporates the offer that the provider
5 obtained from the loan holder or servicer. 12 C.F.R. § 1015.5(a) (2011).

6 25. Regulation O further prohibits any mortgage assistance relief service
7 provider from misrepresenting, expressly or by implication: (1) the likelihood of
8 negotiating, obtaining, or arranging any represented service or result; (2) the
9 amount of time it will take the mortgage assistance relief service provider to
10 accomplish any represented service or result; or (3) that the consumer will receive
11 legal representation. 12 C.F.R. § 1015.3(b) (1), (2), (8) (2011).

12 26. Regulation O requires any mortgage assistance relief service provider,
13 in every general commercial communication, as defined by 12 C.F.R. § 1015.2, to
14 disclose that the provider is not associated with the government and its service is
15 not approved by the government or the consumer's lender. 12 C.F.R.
16 § 1015.4(a)(1) (2011).

17 27. Regulation O further requires any mortgage assistance relief service
18 provider, in every consumer-specific commercial communication, as defined by 12
19 C.F.R. § 1015.2, to disclose: (1) that the consumer may stop doing business with
20 the provider or reject an offer of mortgage assistance without having to pay for the
21 services; and (2) that the provider is not associated with the government and its
22 service is not approved by the government or the consumer's lender. 12 C.F.R.
23 § 1015.4(b)(1), (2) (2011).

24 28. Regulation O further provides that it is a violation "for a person to
25 provide substantial assistance or support to any mortgage assistance relief service
26 provider when that person knows or consciously avoids knowing that the provider
27 is engaged in any act or practice that violates" the rule. 12 C.F.R. § 1015.6 (2011).

1 29. Under section 1097 of the CFPA, 12 U.S.C. § 5538, a violation of
2 Regulation O constitutes an unfair, deceptive, or abusive act or practice under the
3 CFPA, in violation of sections 1031 and 1036 of the CFPA, 12 U.S.C. §§ 5531,
4 5536.

5 **THE CFPA**

6 30. Sections 1031 and 1036(a)(1)(B) of the CFPA, 12 U.S.C. §§ 5531,
7 5536(a)(1)(B), prohibit “covered person[s]” or “service provider[s]” from engaging
8 “in any unfair, deceptive, or abusive act or practice.” Section 1036(a)(1)(A) also
9 prohibits “covered person[s]” or “service provider[s]” from “offer[ing] or
10 provid[ing] to a consumer any financial product or service not in conformity with
11 Federal consumer financial law, or otherwise commit any act or omission in
12 violation of a Federal consumer financial law.” 12 U.S.C. § 5536(a)(1)(A).

13 31. Section 1036(a)(3) of the CFPA further prohibits any person from
14 “knowingly or recklessly provid[ing] substantial assistance to a covered person or
15 service provider in violation of the provisions of section 1031 . . . and
16 notwithstanding any provision of [the CFPA], the provider of such substantial
17 assistance shall be deemed to be in violation of that section to the same extent as
18 the person to whom such assistance is provided.” 12 U.S.C. § 5536(a)(3).

19 32. Section 1002(25) defines the term “related person” to mean “any
20 director, officer, or employee charged with managerial responsibility for, or
21 controlling shareholder of,” or “any shareholder . . . or other person . . . who
22 materially participates in the conduct of the affairs of” of a non-bank provider of a
23 consumer financial product or service. 12 U.S.C. § 5481(25)(C). Section 1002(25)
24 further provides that a “related person” shall be “deemed to mean a covered person
25 for all purposes of any provision of Federal consumer financial law.” 12 U.S.C.
26 § 5481(25)(B).

1 33. Defendants are “covered person[s],” “service provider[s]” or “related
2 person[s],” and they provided “substantial assistance” within the meaning of the
3 CFPA. 12 U.S.C. §§ 5481(6), (25), (26), 5536(a)(3).

4 **COUNT I**

5 **(Advance Fees in Violation of Regulation O)**

6 34. The allegations in paragraphs 1 to 33 are incorporated here by
7 reference.

8 35. In numerous instances, in the course of providing, offering to provide,
9 or arranging for others to provide mortgage assistance relief services, Defendants
10 have asked for or received payment from consumers before those consumers have
11 executed a written agreement with the loan holder or servicer that incorporates the
12 offer obtained by Defendants, in violation of Regulation O, 12 C.F.R. § 1015.5(a)
13 (2011).

14 **COUNT II**

15 **(Misrepresentations in Violation of Regulation O)**

16 36. The allegations in paragraphs 1 to 33 are incorporated here by
17 reference.

18 37. In numerous instances, in the course of providing, offering to provide,
19 or arranging for others to provide mortgage assistance relief services, Defendants
20 have engaged in misrepresenting, expressly or by implication, material aspects of
21 their services, including but not limited to:

22 a. the likelihood of obtaining mortgage loan modifications or
23 accomplishing any other represented service or result, in violation of
24 Regulation O, 12 C.F.R. § 1015.3(b)(1) (2011);

25 b. the amount of time it would take to obtain mortgage loan
26 modifications or accomplish any other represented service or result, in
27 violation of Regulation O, 12 C.F.R. § 1015.3(b)(2) (2011); and

1 c. that consumers will receive legal representation, in violation of
2 Regulation O, 12 C.F.R. § 1015.3(b)(8) (2011).

3 **COUNT III**

4 **(Failure to Make Certain Disclosures in Violation of Regulation O)**

5 38. The allegations in paragraphs 1 to 33 are incorporated here by
6 reference.

7 39. In numerous instances, in the course of providing, offering to provide,
8 or arranging for others to provide mortgage assistance relief services, Defendants:

9 a. violated Regulation O, 12 C.F.R. § 1015.4(a)(1) (2011), by
10 failing to make the following disclosure in all general commercial
11 communications: “Siringoringo Law Firm is not associated with the
12 government, and our service is not approved by the government or your
13 lender”; and

14 b. violated Regulation O, 12 C.F.R. § 1015.4(b)(1), (2) (2011), by
15 failing to make the following disclosures in all consumer-specific
16 commercial communications:

17 i. “You may stop doing business with us at any time. You
18 may accept or reject the offer of mortgage assistance we obtain from
19 your lender [or servicer]. If you reject the offer, you do not have to
20 pay us. If you accept the offer, you will have to pay us (insert amount
21 or method for calculating the amount) for our services.”; and

22 ii. “Siringoringo Law Firm is not associated with the
23 government, and our service is not approved by the government or
24 your lender.”

1 **COUNT IV**

2 **(Deceptive Acts and Practices in Violation of the CFPA)**

3 40. The allegations in paragraphs 1 to 33 are incorporated here by
4 reference.

5 41. In numerous instances, in connection with the offering or provision of
6 mortgage assistance relief services, Defendants have represented, expressly or by
7 implication, that:

8 a. they generally will obtain mortgage loan modifications for
9 consumers or will help them avoid foreclosure;

10 b. they generally will obtain such mortgage assistance relief
11 within a certain time, such as 45 days; and

12 c. they will provide legal representation for consumers.

13 42. In truth and in fact, Defendants generally do not obtain mortgage loan
14 modifications for consumers, generally do not help them avoid foreclosure,
15 generally provide no actual mortgage assistance relief within the represented time,
16 and generally do not provide legal representation for consumers. These
17 representations are material and likely to mislead a reasonable consumer at the
18 time they were made.

19 43. Therefore, Defendants' representations as set forth in paragraph 41
20 constitute deceptive acts and practices in violation of sections 1031 and 1036 of the
21 CFPA, 12 U.S.C. §§ 5531, 5536.

22 **PRAYER FOR RELIEF**

23 WHEREFORE, the Bureau requests that the Court:

24 a. permanently enjoin Defendants from committing future
25 violations of Regulation O and the CFPA and enter such other injunctive
26 relief as appropriate;
27

- 1 b. award restitution, jointly and severally, against Defendants in
2 the amount of all unlawfully collected fees;
- 3 c. order disgorgement of ill-gotten revenues against Defendants;
- 4 d. award civil money penalties against Defendants;
- 5 e. order the rescission or reformation of contracts where necessary
6 to redress injury to consumers;
- 7 f. award costs against Defendants; and
- 8 g. award additional relief as the Court may determine to be just
9 and proper.

10
11 Dated: July 22, 2014

Respectfully submitted,

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