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SUPERIOR COURT OF NEW JERSEY
CHANCERY DIVISION
HUDSON COUNTY
DOCKET NO. HUD-C-51-09

JEFFREY S. CHIESA, Attorney General of the
State of New Jersey, and THOMAS R.
CALCAGNI, Director of the New Jersey Division
of Consumer Affairs,

Plaintiffs,

v.

PROPERTY SOLUTIONS OF N.J., INC.; PSRE
HOLDING COMPANY, L.L.C.; LEON
TOLEDO; EDWARD TOLEDO; RAYMOND
VEGA; MITCHELL BEINHAKER; and JANE
and JOHN DOES 1-10, individually and as
owners, officers, directors, shareholders, founders,
managers, agents, servants, employees,
representatives and/or independent contractors of
PROPERTY SOLUTIONS OF N.J., INC. and/or
PSRE HOLDING COMPANY, L.L.C.; and XYZ
CORPORATIONS 1-10,

Defendants.

Civil Action

ORDER GRANTING
FINAL JUDGMENT AGAINST
DEFENDANTS PROPERTY
SOLUTIONS OF N.J., INC.; PSRE
HOLDING COMPANY, L.L.C., LEON
TOLEDO, EDWARD TOLEDO AND
RAYMOND VEGA

THIS MATTER was opened to the Court by Jeffrey S. Chiesa, Attorney General of the State of New Jersey, and Thomas R. Calcagni, Director of the New Jersey Division of Consumer Affairs ("Plaintiffs") (Assistant Attorney General Brian F. McDonough, and Deputy Attorneys General Jah-Juin Ho and Janine Matton, appearing), for an order granting final judgment against Defendants Property Solutions of N.J., Inc., PSRE Holding Company, L.L.C., Leon Toledo, Edward Toledo, and Raymond Vega ("Defendants"), for alleged violations of the New Jersey Consumer Fraud Act, N.J.S.A. 56:8.1 et seq. Trial was held on July 20- 21, 2011, December 19, 21, and 22, 2011, January 9-11, 2012, and January 25-26, 2012. Based on the Court's consideration of the documentary evidence and testimony, as well as the post-trial written submissions of the parties, the Court finds good and sufficient cause to grant the relief sought by Plaintiffs, ~~and makes the following findings of fact and conclusions of law, and enters final judgment.~~

~~The Court finds that:~~

- ~~1. The business of both Property Solutions and PSRE involved the redemption of foreclosed properties within the ten-day redemption period after homes had been sold to a winning bidder at a sheriff's sale. Property Solutions and PSRE redeemed the properties on behalf of the homeowners, paying off all liens and judgments to clear title to the properties. The homeowners, in return, had to transfer title of the properties to Property Solutions or PSRE. Thus any equity in the homes passed from the homeowners to Property Solutions upon the redemption of the properties.~~
- ~~2. The contracts (referred to as "Contracts to Redeem" and "Use and Occupancy Agreement") Defendants entered into with the certain financially distressed and unsophisticated New Jersey Consumers ("Affected Consumers") then provided the homeowners with the right to~~

~~repurchase the homes but only within a very short period of time, typically 90 days. That unrealistically shortened time period made it difficult if not impossible for these financially distressed consumers, with poor credit histories, to find the financing to repurchase their homes within the time required.~~

3. ~~These repurchase prices were exorbitantly higher than what Defendants had paid to redeem the properties. The repurchase prices for the four Affected Consumers referenced in this case ranged from 135 to 167 percent of the amount for which the properties had been redeemed.~~
4. ~~The Contracts to Redeem included a vacating (or "cash-for-keys") fee to be paid to Affected Consumers who were unable to repurchase their homes, which represented a very small percentage of the actual value of the home.~~
5. ~~Defendants also required homeowners to sign a Use and Occupancy Agreement, which allowed homeowners to stay in their house for a period of 90 days, and required homeowners to make monthly payments that were at times equal to or greater than the monthly mortgage payments and carrying costs that these homeowners could not pay prior to their foreclosures. A homeowner's failure to make a timely monthly payment constituted a breach of Defendants' Use and Occupancy Agreement, as well as the underlying Contract to Redeem. Thus a missed payment exposed the consumer not only to ejectment but to forfeiture of the right to repurchase the home.~~
6. ~~This foreclosure rescue arrangement enabled Defendants to circumvent the sheriff's sale by acquiring the homes at the lower redemption prices and keeping the equity unless the homeowners could repurchase the properties at grossly inflated amounts within a very short period of time.~~

7. ~~This process deprived consumers of the surplus funds for which they could have petitioned the court in cases where the winning bid at the sheriff's sale exceeded the amounts owed on the property. These amounts totaled approximately \$154,000 for~~

~~, \$23,000 for~~

~~and \$150,000 for~~

8. ~~The Affected Consumers were highly unlikely to be able to obtain the financing necessary to save their homes within 90 days. Defendants did not make any meaningful inquiry into whether any family members or friends had the financial wherewithal to buy the home back for these consumers. When Defendants did cause credit reports to be run on family members, they reflected that family members had poor credit histories and would not be able to obtain financing to assist the Affected Consumers.~~

9. ~~Defendants located possible foreclosure rescue opportunities by attending sheriffs' sales, either personally or through a network of independent contractors they used for that purpose. Both directly and through their independent contractors, Defendants sought out homes with a meaningful amount of equity.~~

10. ~~Defendants filed eviction actions against consumers.]~~

In the case of the _____, Defendants knowingly and falsely certified that the consumers had not made any use and occupancy ~~payments to eject them from their home.~~

11. ~~The population that Property Solutions and PSRE targeted typically involved people with poor credit histories, limited resources, and either a low income or no income at all. These consumers were usually under both financial and emotional stress, and were under acute time~~

~~pressure to make a decision. While Defendants may not have created that time pressure, they took unfair advantage of it.~~

12. ~~Defendants prepared advertisements and promotional materials that misrepresented the backgrounds of Property Solutions' "two-seasoned real estate professionals" Vega and Toledo, as well as post cards and brochures that assured consumers that property Solutions will not may - save them from eviction.~~

13. ~~In advertising materials Defendant Toledo falsely represented himself as "an agent for one of the nation[']s biggest lenders 'Freddie Mac' for 5 years," while Defendant Vega falsely held himself out as a "Vice President at Deutsche Bank, instituting loan programs to mortgage brokers in New York City and New Jersey."~~

14. ~~The advertisements also falsely stated that Vega "holds a mortgage solicitors license in New Jersey," when he had relinquished that license at the expiration of his employment with Jersey Mortgage Company in 2005.~~

15. ~~When they solicited homeowners in foreclosure, Defendants left behind Property Solutions postcards proclaimed "We Help You Keep Your House! Relocate You to a New Beginning! We Buy Houses Cash, Fast and 'As Is,'" and "STOP FORECLOSURES- We Help You Keep Your Home!"~~

16. ~~The Property Solutions postcard left for Brenda Alford stated that.~~

~~"If you are a homeowner and you are late with your mortgage payments or you are facing foreclosure, here's what we can offer:
REFINANCE YOUR HOME IMMEDIATELY OR RECEIVE
CASH FOR YOUR HOME IN 1-2 DAYS. DON'T LET THE
BANK TAKE YOUR HOME!~~

- ~~*~~ We will pay your mortgage payment
- ~~*~~ We will refinance your loan
- ~~*~~ We will sell your home
- ~~*~~ We will put cash in your pocket

- ~~* We will save your credit~~
- * We will pay your taxes & liens
- * We will give you a new beginning
- ~~* We will keep you from eviction~~

17. ~~Defendants engaged in the following unconscionable commercial practices in violation of~~
N.J.S.A. 56:8-2, by :

- a. Through advertisements and oral representations leading at least 4 vulnerable and unsophisticated consumers to believe that their foreclosure rescue services were designed to save consumers' homes from foreclosure;
- b. Structuring the terms of their sale-leaseback transactions to fail, thereby acquiring (or attempting to acquire) consumer homes at significant discounts, by bypassing the ~~sheriff's sale process and;~~
 - i. ~~Entering into at least 4 transactions knowing that consumers did not have~~
the financial means to obtain financing to repurchase their homes and without any basis to believe that they could actually obtain financing through a friend or family member;
 - ii. Setting a repurchase price that was exorbitantly and unconscionably higher than the redemption amount in at least 4 consumer transactions;
 - iii. Setting an unreasonable 90-day repurchase period for at least 4 vulnerable and unsophisticated consumers who had recently undergone foreclosure; and
 - iv. Offering a "cash-for-keys" amount, in at least 4 consumer transactions, that ~~had no basis on the market value of the house or any other factor.~~
- c. ~~Defendant Vega knowingly and falsely certified that the Alford Family had not made~~
~~any use and occupancy payments to eject them from their home;~~

- d. ~~Defendant Vega knowingly and falsely certified that~~ ~~had not made any~~
use and occupancy payments to eject them from their home;
- e. Depriving at least 4 consumers of the surplus funds to which they would
otherwise be entitled to seek.

18. Defendants engaged in misrepresentations to consumers concerning their prior employment

history, job titles and duties, in violation of N.J.S.A. 56:8-2 by:

- a. orally representing to at least the _____ that Defendant Vega was a Vice President of Deutsche Bank when in fact he was never employed with Deutsche Bank or a Vice President of any company.
- b. representing in written advertisements, that Defendant Vega was a banker and Vice President of Deutsche Bank when in fact he was never employed with Deutsche Bank or a Vice President of any company;
- c. representing in written advertisements, that Defendant Vega held a mortgage solicitors license in New Jersey at the time he was dealing with consumers, when he no longer held that license; and
- d. representing that Defendant Vega was a mortgage solicitor at the time he was dealing with consumers, by handing at least one consumer his former Jersey Mortgage business card, when in fact, he was no longer employed as a mortgage solicitor; and
- e. representing in written advertisements, that Defendant Toledo was an agent of Freddie Mac when in fact he was a realtor with Remax who sold properties that Freddie Mac listed for sale through Remax.

19. ~~Defendant misrepresented the extent of assistance and/or services that they would provide in~~
~~violation of N.J.S.A. 56:8-2 by;~~

- a. ~~deceptively offering foreclosure rescue services in at least 11 different types of advertisements, including one advertisement in Spanish, to consumers throughout the State;~~
- b. ~~advertising to consumers that they would "refinance [their] home immediately," when they in fact offered no such service;~~
- c. advertising to consumers that they would pay consumers' mortgage payments when in fact they required consumers to transfer over title of their homes outright;
- d. advertising that they would save consumers' credit when they did not offer credit repair services;
- e. advertising that they would keep consumers from eviction when they instituted eviction proceedings against those very consumers once title was transferred to ~~Defendants;~~ and
- f. advertising bankruptcy services when they in fact did not offer such services.

20. ~~Defendants orally misrepresented the terms of their written sale-leaseback contracts~~ in violation of N.J.S.A. 56:8-2 by;

- a. In at least 3 instances, telling at least the _____ and the _____ family that they would obtain financing for them when they never attempted to do so;
- b. telling _____ that he could sell his home on the open market and reap the benefits of the difference between the repurchase price and the sale price when in fact this was not the case;
- c. telling the _____ that they could receive a "cash-for-keys" amount for ~~vacating their home when in fact they never received this benefit;~~

- d. telling ~~that he could receive a "cash-for-keys" amount for vacating his~~
home when in fact he never received this benefit;
- e. falsely promising to save consumers' homes when in fact they were actually acting to acquire at least four homes at a significant discount; and
- f. misrepresenting that they were experts in the field of foreclosure assistance when they were not aware that their contractual arrangements were causing consumers to forego their right to potentially valuable surplus funds. As a result of Defendants' misrepresentation as to their expertise, consumers were not fully informed of valuable rights that they were forfeiting by entering into these transactions with Property Solutions and PSRE.

21. ~~The acts and practices of Defendants constituted violations of the Consumer Fraud Act,~~

22. ~~For each violation of the Consumer Fraud Act, Defendants could be assessed a penalty of \$10,000 for the first violation, and \$20,000 for the second and each subsequent violation pursuant to N.J.S.A. 56:8-13. Defendants committed 59 violations of the CFA.~~

The Court, on this 21st day of February 2012 ORDERS that:

23. Final judgment is granted to Plaintiffs against defendants Property Solutions of N.J., Inc., PSRE Holding Company, L.L.C., ~~Leon Toledo~~, Edward Toledo, and Raymond Vega as to Counts I and II of the Amended Complaint (Unconscionable Commercial Practices and Deception, and False Promises and Misrepresentations), respectively;
24. Final judgment is entered against Defendants, jointly and severally, in the total amount of 446,500 ~~\$1,568,992.09~~; representing \$ 189,500 in restitution, pursuant to N.J.S.A. 56:8-8, ~~maximum~~ civil penalties in the amount of 280,000 ~~\$1,170,000~~ pursuant to N.J.S.A. 56:8-13; ~~costs of \$13,868.59~~ and attorney's fees of ~~\$195,559.50~~ for 1,358.5 hours of attorneys' time.

25. Payment of restitution, civil monetary penalties, costs and fees shall be made by attorney trust fund account check, certified check or other guaranteed funds, made payable to the "State of New Jersey, Division of Consumer Affairs" and delivered to

Jennifer Micco, Supervising Investigator
Office of Consumer Protection
Division of Consumer Affairs
124 Halsey Street – 7th Floor
P.O. Box 45025
Newark, NJ 07101

26. Defendants and their owners, officers, directors, shareholders, founders, managers, agents, servants, employees, representatives, independent contractors and all other persons or entities directly under their control, are enjoined from engaging in, continuing to engage in, or doing any acts or practices in violation of the CFA, N.J.S.A. 56:8-1 et seq., and the regulations promulgated thereunder, including, but not limited to, the acts and practices alleged in the Amended Complaint;

27. Defendants and their owners, officers, directors, shareholders, founders, managers, agents, servants, employees, representatives, independent contractors and all other persons or entities directly under their control, are permanently enjoined from operating businesses which:

- a. acquire real estate from consumers in foreclosure or under the threat of foreclosure;
- or
- b. advertise or sell any service concerning foreclosure prevention, foreclosure mitigation, mortgage modification, debt adjustment, credit counseling or any other similar type of service directed towards financially distressed consumers.

28. This Court shall retain jurisdiction to enforce this Order; and

29. Plaintiffs shall serve a copy of this Order on Defendants Property Solutions of N.J., Inc., PSRE Holding Company, L.L.C., Leon Toledo, Edward Toledo, and Raymond Vega, within 7 days of Plaintiffs' counsel's receipt of same.



Honorable Thomas P. Olivieri, P.J.Ch.

* The Court reserves the issue of investigation costs and attorney fees.