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ROBB EVANS & ASSOCIATES LLC

7
8 **UNITED STATES DISTRICT COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA**

10
11 CONSUMER FINANCIAL
PROTECTION BUREAU,

12 Plaintiff,

13 v.

14 CHANCE EDWARD GORDON,
15 *et al.*

16 Defendants.

CASE NO. 12CV 06147-RSWL(MRWx)

**TEMPORARY RECEIVER'S
SECOND SUPPLEMENTAL
REPORT DATED SEPTEMBER 11,
2012**

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18 Robb Evans & Associates LLC, the Temporary Receiver, hereby submits its
19 Temporary Receiver's Second Supplemental Report dated September 11, 2012
20 attached hereto.

21 Dated: September 11, 2012

Respectfully submitted,

22 MCKENNA LONG & ALDRIDGE LLP
23 GARY OWEN CARIS
LESLEY ANNE HAWES

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25 By: /s/Gary Owen Caris

26 Gary Owen Caris
27 Attorneys for Temporary Receiver
**ROBB EVANS & ASSOCIATES
LLC**

Robb Evans & Associates LLC
Temporary Receiver of The Gordon Law Firm P.C.,
Division One Investment and Loan, Inc. and Processing Division, LLC, and
Affiliates or Subsidiaries by Whatever Names Each Might be Known et al.

TEMPORARY RECEIVER'S SECOND SUPPLEMENTAL REPORT
SEPTEMBER 11, 2012

On August 2, 2012 the Temporary Receiver filed its Report of Temporary Receiver's Activities July 19, 2012 through July 30, 2012 (Report). Included in that Report was a section in which the Temporary Receiver evaluated data maintained by the defendants that categorized and defined the results of completed cases or engagements with consumers.

The Temporary Receiver, because of time limitations, completed its evaluation and based its conclusions only on the data in an Excel schedule (titled Closing Count) prepared by the defendants. Consequently, the Temporary Receiver did not discuss the completed cases or engagements with any individual consumers and completed only a limited review of notes and information in the database or the individual files. Following is an excerpt from the Report that discusses the review and evaluation of results reported in the schedule prepared by the defendants (emphasis added).

To overcome the inconsistent and missing descriptions in the database, the manager of the legal process section completed a monthly Excel schedule (titled Closing Count) describing the results of the closed files. The Temporary Receiver has analyzed that schedule and below provides comments on the apparent results of the processing activities.

...

The Temporary Receiver **has concluded that 57.8% of the Completions (listed in the database) can be categorized as Successful Completions**, and 42.2% of the completions should be categorized as Not Successful Completions. Defendants The Gordon Law Firm, P. C, and Chance Gordon have filed statements with the District Court and on other public domains claiming 91% of the completions are categorized as Successful.

...

Following ... is a (portion of the) summary table of the Temporary Receiver's analysis of the conclusions detailed in the Closing Count schedule.

Successful Completions			
1	HAMP	80	3.8%
2	MHA	128	6.2%
3	Fannie Mae	13	0.6%
4	FHA	20	1.0%

5	Forbearance	64	3.1%
6	Trial	358	17.2%
7	Modification	439	21.1%
8	Settlement	99	4.8%
	Total Successful Completions	1201	57.8%

Beginning about July 27, 2012 the office of the Temporary Receiver began to receive telephone calls and letters by facsimile and e-mail from consumers stating they were customers of the receivership defendants and were in the process of receiving assistance to obtain a modification of a home loan. Through August 31, 2012, the Temporary Receiver's staff answered and responded to approximately 700 telephone calls, and read and responded to approximately 260 e-mailed letters and approximately another 50 letters sent by facsimile.

Many consumers, some in states of anguish, reported they had received very little contact from the staff of the receivership defendants over a period of several months. Others reported that their lenders claimed to have received no contact or no financial documentation from the receivership defendants. Some consumers reported they were encouraged to discontinue making loan payments to pay for the loan modification assistance, and they were now concerned they could not repay the delinquent monthly payments. Some consumers expressed a high level of dissatisfaction with the quality of loan modification assistance they were receiving.

The Temporary Receiver also received information forwarded from the Consumer Financial Protection Bureau about its conversations with consumers listed with Successful Completions. The conversations revealed that almost half of the interviewed consumers did not receive a mortgage loan modification or received one in which the monthly payment did not change or it actually increased. About another one third of the consumers interviewed stated they received modifications in which the monthly payment or interest rate reductions ranged only from \$20 to \$175, not the substantial savings they were promised. Under Tab 1 is a declaration by a paralegal specialist in the Consumer Financial Protection Bureau.

After considering the concerns expressed by consumers, along with the information from consumers forwarded by the Consumer Financial Protection Bureau, the Temporary Receiver decided to make direct contact with a sample of the consumers categorized from the defendants' Closing Count schedule as reaching a Successful Completion. The contact efforts focused on the 358 consumers labeled with having a successful Trial Modification, and the 439 consumers labeled with having a successful Modification.

After removing consumers contacted by the Consumer Financial Protection Bureau, the Temporary Receiver identified 41 consumers for direct contact. The Temporary Receiver's staff, after at least three attempts, was able to make contact with 24 of the identified consumers.

Eight or 33% of the interviewed consumers reported that their completed loan modification was satisfactory, even if past due payments were added to the loan balance. However, 16 or 67% of the interviewed consumers reported they were dissatisfied, and at times very dissatisfied, with the result of the service received.

The results labeled as unsatisfactory or poor included the following comments:

- Payments reduced by only \$100 a month; fee paid \$3,000
- Modification was approved for payment twice the original payment
- Payments were not reduced because past due amounts were added to the loan
- Consumer paid a fee but had to complete much of the modification himself
- Trial plan started; defendant did not submit all required documents
- Fee paid \$3,000 and was told to consider a short sale
- Trial modification with payment lowered by only \$100
- Fee paid \$3,000 and received a three-month modification. No further follow-up
- Payment reduced by only \$40

Conclusion

The Temporary Receiver has carefully considered and evaluated the comments gathered from direct contact with the consumers by the Temporary Receiver's staff and by the Consumer Financial Protection Bureau from the defendants' Closing Count schedule as reaching a Successful Completion. The Temporary Receiver has concluded the receivership defendant's data that categorizes 57.8% of the completions as Successful is not supported by the comments and concerns of the contacted consumers.

The Temporary Receiver is now revising its Report to withdraw the conclusion that, based on the defendants' data, 57.8% of the completions can be categorized as Successful Completions. Based on comments and concerns from contacted consumers, the Temporary Receiver has determined that the data and categories recorded in the Closing Count schedule are inaccurate. The number of reported Successful Completions is substantially overstated, possibly by as much as 50%, which would result in a Successful Completion rate of 30% or less.

Respectfully submitted,

/s/

Robb Evans & Associates LLC
Temporary Receiver

1 **DECLARATION OF ALLISON VAN BEEK**

2 **PURSUANT TO 28 U.S.C. § 1746**

3 I, Allison Van Beek, hereby declare and state as follows:

4 1. My name is Allison Van Beek. I am employed by the Consumer Financial
5 Protection Bureau (“Bureau”) as a paralegal specialist in the Bureau’s Office of
6 Enforcement in Washington, D.C. The following facts are known to me personally and if
7 called as a witness I could and would competently testify thereto.

8 2. In my role as a paralegal specialist, I research and investigate persons and
9 entities that may be violating the Consumer Financial Protection Act and other statutes
10 enforced by the Bureau. I have been assigned to work on the Bureau’s matter involving
11 Chance Edward Gordon, The Gordon Law Firm, P.C., Abraham Michael Pessar, Division
12 One Investment and Loan, Inc., and Processing Division, L.L.C. In relation to this
13 matter, I have been speaking with consumers in order to gather information about the
14 services Defendants provided.

15 3. After Defendants were placed under temporary receivership, the Temporary
16 Receiver analyzed Defendants’ closed consumer files and submitted a preliminary report
17 that specified Defendants’ rate of “Successful Completions” from July 2010 to July 2012.
18 According to the preliminary report, the success rate was based on an analysis of a
19 spreadsheet created by Defendants to document the results of closed consumer files. The
20 Receiver classified as “Successful Completions” all consumers who, based on a facial
21 review of Defendants’ spreadsheet, appeared to receive a service that could arguably be
22 considered to be some type of a loan modification.

23 4. I reviewed the list of consumers considered to be “Successful Completions”
24 in the preliminary report, and noted that many consumers appeared to receive
25 “modifications” of little value, particularly given the amount of the up-front fee paid
26 (\$2,000 to \$4,500). To obtain further information about these modifications, I telephoned
27 consumers on the “successful” list who, as recorded in Defendants’ closed consumer file
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1 spreadsheet, did not appear to receive the substantial savings promised to consumers.
2 After speaking with twenty-three consumers, I found that many categorized as
3 “Successful Completions” in the Receiver’s initial report are inaccurately listed as
4 successful and did not receive the substantial savings on their monthly mortgage
5 payments that Defendants initially promised. In fact, after paying thousands of dollars in
6 up-front fees, many consumers were in a worse position than when they started.

7 5. Twelve of the twenty-three consumers from the “Successful Completion”
8 list who I interviewed received no reduction in their mortgage payments. Of these twelve
9 consumers:

- 10 ▪ Seven consumers reported that they received no loan modification as a result
11 of Defendants’ work.
- 12 ▪ Two consumers reported receiving “modification” offers in which their
13 monthly payments did not change.
- 14 ▪ Three consumers reported that they received modifications in which their
15 monthly payments increased.

16 6. Many of these consumers appear to be on the successful list for having
17 capitalized past due payments, rather than for having received a successful modification.
18 However, in many cases the “capitalization” performed was merely adding the missed
19 payments to the unpaid principal balance of the consumer’s loan. These past due
20 payments were often the result of consumers not making mortgage payments at
21 Defendants’ instruction. All but two of the twelve consumers stated that Defendants
22 instructed or encouraged them not to pay their lenders: (1) to be able to afford to pay
23 Defendant, (2) to strategically fall behind in payments in order to qualify for a
24 modification, or (3) because Defendants claimed it was not necessary to pay while
25 negotiating a new rate.

26 7. Eleven of the twenty-three consumers I interviewed received some type of
27 loan modification in which their monthly loan payment decreased. Many of these
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1 consumers, however, did not obtain results that substantially reduced their mortgage
2 payments or interest rates as promised by Defendants. Of these eleven consumers:

- 3 ▪ Eight consumers reported that they received small monthly payment
4 reductions, ranging from \$20 to \$175 per mortgage.
5 ▪ One consumer reported that his monthly payment increased by \$1,100
6 because the consumer was previously paying interest only, but that his/her
7 interest rate decreased by 1.75%.
8 ▪ Two consumers reported receiving substantial payment or interest rate
9 reductions.

10 8. My interviews of a sample of consumers categorized as “Successful
11 Completions” in the Receiver’s report indicate that many consumers in that category did
12 not in fact receive meaningful mortgage assistance and that Defendants’ promises of
13 substantial savings were not realized.

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16 Allison Van Beek
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