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**STATEMENT OF CHARGES**

The Consumer Protection Division, Office of the Attorney General of Maryland (the “Proponent” or “Division”)<sup>1</sup> institutes this proceeding to enjoin MV Realty PBC, LLC; MV Realty of Maryland LLC; MV Brokerage of Maryland LLC; Antony Mitchell; Amanda J. Zachman; and David L. Manchester (collectively, “Respondents” or “MV Realty”), from engaging in unfair, abusive, or deceptive trade practices that violate the Maryland Consumer Loan Law (“MCLL”), Md. Code Ann., Com. Law (“CL”) §§ 12-301 through 12-319 (Credit Provisions), Fin. Inst. (“FI”) §§ 11-201 through 11-223 (Licensing Provisions”); the Consumer Debt Collection Act (“CDCA”), CL §§ 14-201 through 14-204; and the Consumer Protection Act (“CPA”), Md. Code Ann., CL §§ 13-101 through 13-501, to obtain restitution for their past conduct and to obtain appropriate civil penalties.

Beginning in Florida, in or about 2019, Respondents began offering homeowners a deceptively-titled “Homeowner Benefit Program” (“HBP”). They quickly scaled up to offer the HBP, in substantially-similar form, in 33 states. In or about 2021, during the wake of the COVID-19 pandemic, Respondents began to advertise, offer, and provide the HBP to financially-vulnerable Maryland homeowners, including those seeking personal or payday loans or in need of financial assistance.<sup>2</sup> Respondents required, as a condition of receiving a small advance styled as a

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<sup>1</sup> The Consumer Protection Division in its capacity as the Proponent in this matter shall be referred to as the “Proponent” or “Division”; the Consumer Protection Division in its capacity as a quasi-judicial administrative agency shall be referred to as the “Agency.”

<sup>2</sup> For purposes of this Statement of Charges, “consumer” shall mean an actual or prospective purchaser, lessee, or recipient of consumer goods, consumer services, consumer realty, or consumer credit as defined in Md. Code Ann., Com. Law § 13-101 of the Maryland Consumer Protection Act. A consumer includes but is not limited to a homeowner that (a) received a promotion fee from MV Realty, (b) entered into a Homeowner Benefit Agreement or Memorandum, or (c) paid money to Respondents. A consumer also includes a successor in interest to a homeowner that satisfies one

“Promotion Fee,” that the homeowner enter into an “MVR Homeowner Benefit Agreement” (“HBA”) and a “Memorandum of MVR Homeowner Benefit Agreement” (“Memorandum”).

Respondents held out the HBP as a simple bargain: they advanced cash of \$300 up to \$5,000 as a “loan alternative” or “personal loan alternative” with no repayment requirement. And in exchange, if the homeowner ever elected to sell their home, Respondents would act as the listing agent. If any consumers thought this sounded too good to be true, they were right.

The HBP is a consumer lending scheme by which Respondents violated the CPA and were in the business of making usurious, lien-secured loans or advances of money or credit to consumers. Respondents violated statutory requirements imposed by the MCLL, including licensing, consumer disclosures, interest rate limits, and the prohibition against taking security interests in real property for loans of less than \$4,000. Indeed, far from the no-repayment arrangement that Respondents promised, each HBA incorporates an effective – and seemingly unprecedented – 40-year repayment period that attaches to real property and is transferred to heirs and assigns.

Between late 2021 and late 2022, Respondents originated as many as 1,047 HBAs with Maryland consumers. In connection with those HBAs, Respondents made loans or advances of money or credit to consumers amounting to, in median amount, approximately \$1,000. Dozens of these loans were for less than \$500, and as little as \$350. At every stage of advertising, offering, and entering HBAs with Maryland homeowners, Respondents violated the CPA by repeatedly misrepresenting and failing to disclose unusual, material HBA terms.

With each HBA, Respondents originated a one-time advance equal, in median percentage, to approximately 0.0027% of the consumer’s home value. Homeowners are all but certain to

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of the preceding events. As such, the terms “consumer,” “Maryland consumer,” “homeowner,” “Maryland homeowner,” and “heir” or “successor,” are synonymous and used interchangeably herein.

transfer title to their home within the effective 40-year repayment period, and when they do, the transfer triggers a payment obligation requiring the homeowner (or their heirs) to immediately pay Respondents at least 3.0% of their home value if the consumer does not use Respondents as their listing agent. Alternatively, consumers could use Respondents as their listing agent but then must pay Respondents 3.0% to 6.0% of their home sale price, plus a \$500 “administrative fee” that is not disclosed to consumers prior to entering an HBA. Respondents’ loan structure is all but certain to yield a usurious return of no less than 1,111%.

After telling consumers their HBA product was not a “lien,” Respondents recorded each HBA and/or Memorandum in public land records against title to the consumer’s home. Once recorded, these instruments in fact serve as a lien, encumbrance, or cloud on title (collectively, “security interest”) that must be released by Respondents before the consumer can transfer title.

Respondents violated Maryland law, including the MCLL, CDCA, and the CPA, by engaging in the business of consumer lending while not duly licensed and bonded to do so; failing to make required disclosures to consumers; charging implied interest in excess of the maximum rates allowable by law; taking security interests in real property in connection with consumer loans of less than \$4,000 in value or amount; collecting or attempting to collect consumer debts with no right to do so; and engaging in activities that constitute unfair, abusive, or deceptive trade practices and are prohibited under Maryland law, as described herein.

### **The Parties**

1. The Proponent in this proceeding is the Consumer Protection Division of the Office of the Attorney General of Maryland. This proceeding is brought by the Proponent to redress past and present violations and to prevent future violations of the MCLL, CDCA, and the CPA.

2. Respondent MV Realty PBC, LLC (“Respondent PBC”) is a Florida limited liability company formed on or about August 5, 2014. Respondent PBC’s primary place of business is 1451 W. Cypress Creek Road, Suite 300, Ft. Lauderdale, FL 33309, and its former place of business is 219 N. Dixie Boulevard, Delray Beach, FL 33444. Respondent PBC is the corporate owner and member of Respondent MV Realty of Maryland LLC. At all relevant times, Respondent PBC regularly conducted business in Maryland, including consumer lending; advertising the HBP; offering HBAs; and recording or causing HBAs and Memorandums to be recorded in Maryland land records to secure repayment of illegal loans.

3. Respondent MV Realty of Maryland LLC (“Respondent MV Realty of Maryland”) is a Maryland limited liability company having its primary place of business at 301 N. Juniata Street, Suite 204, Havre De Grace, MD 21078. Respondent MV Realty of Maryland registered with the Maryland State Department of Assessments and Taxation (“SDAT”) on or about November 9, 2021. Respondent PBC is the corporate owner and member of Respondent MV Realty of Maryland. At all relevant times, Respondent MV Realty of Maryland regularly conducted business in Maryland, including consumer lending; advertising the HBP; offering and entering HBAs with consumers; and recording or causing HBAs and Memorandums to be recorded in Maryland land records to secure repayment of illegal loans.

4. Respondent MV Brokerage of Maryland LLC (“Respondent MV Brokerage of Maryland”) is a Maryland limited liability company having its primary place of business at 2405 York Road, Suite 201, Lutherville, MD 21093. Respondent MV Brokerage of Maryland registered with SDAT on or about October 21, 2022. At all relevant times, Respondent MV Brokerage of Maryland regularly conducted business in Maryland, including consumer lending; advertising the HBP;

offering and entering HBAs with consumers; and recording or causing HBAs and Memorandums to be recorded in Maryland land records to secure repayment of illegal loans.

5. Respondent Antony Mitchell (“Respondent Mitchell”) is a Florida resident, the Chief Executive Officer (“CEO”) of Respondent PBC, the President and a Manager of Respondent MV Realty of Maryland, and on information and belief, an officer of Respondent MV Brokerage of Maryland. Respondent Mitchell knew or should have known of the unfair, deceptive and abusive trade practices alleged herein; possessed the authority to control the policies and trade practices of Respondents PBC, MV Realty of Maryland, and MV Brokerage of Maryland (collectively, the “Business Respondents”) that are alleged to be unfair, abusive, and deceptive; participated in the alleged unfair, abusive, and deceptive trade practices; directed or supervised those employees who participated in the alleged unfair, abusive, and deceptive trade practices; and had the power to stop the alleged unfair, abusive, and deceptive trade practices, but rather than stopping them, promoted their use. Respondent Mitchell is liable for the unfair, abusive, and deceptive trade practices committed by the Business Respondents because he personally participated in the acts, or knew or should have known of the acts and had the authority to control the acts.

6. Respondent Amanda Zachman (“Respondent Zachman”) is a Florida resident, the co-founder and managing real estate broker of Respondent PBC, a Manager and Secretary of Respondent MV Realty of Maryland, and on information and belief, an officer of Respondent MV Brokerage of Maryland. Respondent Zachman knew or should have known of the unfair, abusive, and deceptive trade practices alleged herein; possessed the authority to control the policies and trade practices of Business Respondents that are alleged to be unfair, abusive, and deceptive; participated in the alleged unfair, abusive, and deceptive trade practices; directed or supervised those employees who participated in the alleged unfair, abusive, and deceptive trade practices; and

had the power to stop the alleged unfair, abusive, and deceptive trade practices, but rather than stopping them, promoted their use. Respondent Zachman is liable for the unfair, abusive, and deceptive trade practices committed by the Business Respondents because she personally participated in the acts, or knew or should have known of the acts and had the authority to control the acts.

7. Respondent David Manchester (“Respondent Manchester”) is a Florida resident, the Chief Operating Officer (“COO”) of Respondent PBC, a Manager of Respondent MV Realty of Maryland, and on information and belief, an officer of Respondent MV Brokerage of Maryland. Respondent Manchester knew or should have known of the unfair, abusive, and deceptive trade practices alleged herein; possessed the authority to control the policies and trade practices of Business Respondents that are alleged to be unfair, abusive, and deceptive; participated in the alleged unfair, abusive, and deceptive trade practices; directed or supervised those employees who participated in the alleged unfair, deceptive and abusive trade practices; and had the power to stop the alleged unfair, abusive, and deceptive trade practices, but rather than stopping them, promoted their use. Respondent Mitchell is liable for the unfair, abusive, and deceptive trade practices committed by the Business Respondents because he personally participated in the acts, or knew or should have known of the acts and had the authority to control the acts.

8. The Business Respondents are individually and collectively referred to as “MV Realty” by their owners, managers, and employees when communicating with consumers and third parties. The Business Respondents engaged in the practices set forth herein that are alleged to constitute the business of consumer lending under the MCLL and are unfair, abusive, and deceptive trade practices that violate the CDCA and CPA.

**Maryland Consumer Loan Law**

9. In Maryland, under the MCLL’s Licensing Provisions and Credit Provisions, a nonexempt person may not engage in the business of making loans unless licensed by the Maryland Commissioner of Financial Regulation (“Commissioner”). FI § 11-203.1(a)(1); CL § 12-302.

10. To obtain a license, a lender must submit an application under oath to the Commissioner, provide all required information, and file a surety bond for the benefit of the State and consumers. FI § 11-206. The Commissioner then “shall investigate the facts relevant to the application to determine if the applicant meets the requirements of [the Licensing Provisions].” FI § 11-207(a).

11. Under the Licensing Provisions, a loan “means any loan or advance of money or credit subject to [the Credit Provisions], regardless of whether the loan or advance of money or credit is or purports to be made under [the Credit Provisions].” FI § 11-201(g).<sup>3</sup> And under the Credit Provisions, harmonizing with the Licensing Provisions, a loan “means any loan or advance of money or credit subject to this subtitle, regardless of whether the loan or advance of money or credit is or purports to be made under this subtitle.” CL § 12-301(f)(1).<sup>4</sup>

12. The Credit Provisions apply, subject only to limited exceptions, to “any loan or advance of money or credit” of \$25,000 or less that is made primarily for personal, family or household purposes. FI § 11-201(g); CL §§ 12-301(f)(1), 12-303(a)(1) and 12-314(a).

13. The Credit Provisions apply to a lender who “[b]y any device or pretense of charging for his services or otherwise, seeks to obtain any interest, charges, discount, or like consideration,” and further, apply regardless of:

- a. “Whether the transaction is or purports to be made under [the Credit Provisions];

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<sup>3</sup> The Licensing Provisions loan definition was previously codified at FI § 11-201(e) (2011 Repl. Vol. and 2017 Supp.).

<sup>4</sup> The Credit Provisions loan definition was previously codified at CL § 12-301(e)(1) (2013 Repl. Vol. and 2017 Supp.).

- b. Whether the transaction is or purports to be an installment loan;
- c. The duration of the repayment period;
- d. Whether the transaction is or purports to be nonrecourse or contingent; and
- e. Whether the transaction purports to be the purchase of wages, pensions, governmental benefits, or other similar future payment streams.”

CL § 12-303(a)(2), (d)(2).

14. The Credit Provisions at § 12-308(a)(1) instruct that at the time a loan is made, the lender has a duty to deliver to the consumer a statement in English which quotes CL §§ 12-306 (maximum rates of interest), 12-307 (certain fees collectible), and 12-312 (insurance) of the MCLL in their entireties. Further, the statement must comply with CL § 12-106(b), which among other things requires that prior to execution of a loan contract, the lender shall furnish to the consumer a written statement setting forth the total principal amount of the loan and the total amount of finance charge to be paid, along with the annual effective rate of simple interest charged.

15. The Credit Provisions also limit the interest that a lender may directly or indirectly contract for, charge, or receive from a consumer. The maximum annual rate of simple interest is 24% or 33%, depending on the original principal balance of the loan and the remaining, unpaid principal balance. CL §§ 12-306 and 12-314(a)(1).

16. A loan of \$25,000 or less, regardless of whether the loan is or purports to be made under the Credit Provisions, is void and unenforceable under § 12-314(b)(1)(i) of the MCLL if:

- a. “[A] person contracts for a loan that has a rate of interest, charge, discount, or other consideration greater than that authorized under State law;
- b. The loan violates the federal Military Lending Act; or
- c. A person who is not licensed under or exempt from the licensing requirements under

[the Licensing Provisions] made the loan.”

17. A person may not “receive or retain any principal, interest, fees, or other compensation with respect to any loan that is void and unenforceable[.]” CL § 12-314(b)(2).

18. Further, pursuant to § 12-314(d) of the MCLL, with respect to a loan that is void and unenforceable, a person may not:

- a. “Collect or attempt to collect, directly or indirectly, any amount from the borrower;
- b. Enforce or attempt to enforce the contract against any property securing the loan; or
- c. Sell, assign, or otherwise transfer the loan to another person.”

19. Finally, under § 12-311(c)(1)(i) of the MCLL, a lender may not take “any security interest...in [r]eal property for any loan under \$4,000 in value or amount.” Other than a judgment lien, any lien taken in violation of this prohibition is void. CL § 12-311(c)(2), (3).

### **Consumer Debt Collection Act**

20. The CDCA governs the collection of an alleged debt by a collector that arises out of a consumer transaction. CL § 14-201(b), (c).

21. A “collector” means “a person collecting or attempting to collect an alleged debt arising out of a consumer transaction.” CL § 14-201(b).

22. A “person” includes an “individual, corporation, business trust, statutory trust, estate, trust, partnership, association, two or more persons having a joint or common interest, or any other legal or commercial entity.” CL § 14-201(d).

23. A “consumer transaction” means “any transaction involving a person seeking or acquiring real or personal property, services, money, or credit for personal, family, or household purposes.” CL § 14-201(c).

24. In collecting or attempting to collect an alleged debt, a collector may not, among

other prohibited acts, “[c]laim, attempt, or threaten to enforce a right with knowledge that the right does not exist.” CL § 14-202(8).

25. A violation of the CDCA is a *per se* violation of the CPA. CL § 13-301(14)(iii).

### **Consumer Protection Act**

26. The CPA was enacted to provide minimum standards for the protection of consumers in Maryland. CL § 13-102(b)(1). In enacting the CPA, the General Assembly concluded that the Consumer Protection Division “should take strong protective and preventive steps to investigate unlawful consumer practices, to assist the public in obtaining relief from these practices, and to prevent these practices from occurring in Maryland.” CL § 13-102(b)(3).

27. Under § 13-101(d)(1) of the CPA, “[c]onsumer credit”, “consumer debts”, “consumer goods”, “consumer realty”, and “consumer services” mean, respectively, credit, debts or obligations, goods, real property, and services which are primarily for personal, household, family, or agricultural purposes.”

28. The CPA prohibits persons from engaging in any unfair, abusive, or deceptive trade practice in connection with the offer or sale of consumer services, the extension of consumer credit, and the collection of consumer debts. CL §§ 13-101(g), (h) and 13-303(1), (2), (4), (5).

29. Under § 13-301(1), (2), (3), and 14(iii) of the CPA, unfair, abusive, or deceptive trade practices include any<sup>5</sup>:

- a. “[f]alse, falsely disparaging, or misleading oral or written statement, visual description, or other representation of any kind which has the capacity, tendency, or effect of deceiving or misleading consumers;”

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<sup>5</sup> Effective June 1, 2023, it is also a CPA violation to use a “residential service agreement” that is effective for more than one year, runs with the land or binds subsequent purchasers, or creates a lien, encumbrance, or security interest on the residential property of a party to the agreement. *See* Md. Code Ann., Real Prop. §§ 14-901 through 14-909. This statute applies only to such agreements entered on or after June 1, 2023.

- b. representation that “[c]onsumer goods, consumer realty, or consumer services have a sponsorship and/or approval they do not have;”
- c. representation that “a merchant has a sponsorship, approval, status, affiliation, or connection which he does not have;”
- d. “[f]ailure to state a material fact if the failure deceives or tends to deceive[;]” or,
- e. violation of the Maryland Consumer Debt Collection Act, CL § 14-201 *et seq.*

30. Any unfair, deceptive, or abusive practice is a violation of the CPA regardless of “whether or not any consumer in fact has been misled, deceived, or damaged as a result of that practice.” CL § 13-302.

### **Statement of Facts**

#### **Respondents’ Homeowner Benefit Program:**

31. Beginning in or about 2019, Respondents began to offer the HBP to homeowners in Florida. They quickly scaled up HBP operations into 33 states, entering tens of thousands of HBAs with consumers nationwide.

32. Respondents hold themselves out as an “innovative” real estate agency, but they are not primarily in the business of providing real estate services. Respondents instead are primarily in the business of making secured loans.

33. On information and belief, Respondent Mitchell has a background in specialty financial services, including structured settlements and litigation advances. He joined MV Realty to develop, offer, and expand the HBP. As CEO, Mitchell had full control of the HBP practices at issue in this action. Respondent Mitchell was instrumental in developing the HBP, approving or authorizing HBP marketing, and soliciting and obtaining financing to fuel the rapid expansion of the HBP, including in Maryland. Respondent Mitchell signed numerous documents related to the

HBP in Maryland, including credit agreement(s) with lenders and documents recorded against consumer title in land records. Along with Respondents Manchester and Zachman, he also authorized employees and/or agents to execute hundreds of HBAs and Memorandums with Maryland consumers.

34. On information and belief, Respondent Manchester has a background in structured settlements. As Chief Operating Officer, he was responsible for reviewing and approving HBP advertisements, marketing, and lead generation, helped roll out a deceptive telemarketing protocol that enabled the Business Respondents to aggressively target Maryland consumers with HBA offers, approved HBA offers to Maryland consumers, and authorized employees and/or agents to execute hundreds of HBAs and Memorandums with Maryland consumers.

35. On information and belief, Respondent Zachman is a founder and executive director of MV Realty, as well as an officer of the Business Respondents and a lead broker for Respondent PBC. Respondent Zachman signed hundreds of HBAs and Memorandums that presently encumber or have encumbered consumer titles in Maryland, and authorized employees and/or agents to execute hundreds of HBAs and Memorandums with Maryland consumers.

36. Under the HBP, consumers were required to enter an HBA and Memorandum as a condition of receiving a small, one-time advance equal to approximately 0.0027% of the consumer's home value, which was determined solely by Respondents.<sup>6</sup>

37. From there, to terminate the HBA during its effective 40-year repayment period without using Respondents' listing agent services, the consumer (or their heirs or assigns) must pay a purported "Early Termination Fee" of 3.0% of their home price.<sup>7</sup> On its face, this loan

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<sup>6</sup> This equates to approximately \$270 per \$100,000 of home value.

<sup>7</sup> This loan structure yields a minimum finance charge of \$3,000 for every \$100,000 of home price. The Early Termination Fee is floored at 3.0% of the greater of: (a) the estimated home value at the time the HBA was offered,

structure yields Respondents a usurious gross return of 1,111%. In the alternative, should the consumer use Respondents' listing agent services, they must pay 3.0% to 6.0% of their home price, plus an additional \$500 "administrative fee."

38. Respondents through their HBAs fashioned the small, one-time advance as a "Promotion Fee," but in effect it is loan principal subject to repayment.

39. Respondents' advertisements and consumer-facing sales scripts falsely emphasized the HBP was a "loan alternative" and the consumer incurred no repayment obligation or debt.

40. Between at least October 2021 and December 2022, Respondents originated as many as 1,047 HBAs involving homes in Baltimore City and every county of Maryland.

41. Respondents underwrote each HBA to, among other things, determine that the estimated home value fell within a certain range, and the consumer owned a minimum level of home equity to ensure repayment of the Promotion Fee plus an implied finance charge.

42. In Maryland, the median Promotion Fee was around \$1,000. Dozens of consumers received less than \$500. The smallest Promotion Fee advanced by Respondents was \$350.

43. The Promotion Fee was paid to consumers *via* Zelle, ACH transfer, or printable check payable by Respondent PBC.

44. Once the consumer signed an HBA and Memorandum, Respondents recorded one or both documents in land records against the consumer's title to their home. The recording acted as a security interest that evidences the consumer's repayment obligations under the HBA. It is thus difficult or impossible for a consumer (or their heirs or assigns) to transfer title without first paying Respondents at least 3.0% of the estimated home value.

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or (b) the home's fair market value at the time of the purported breach by the consumer (or their heirs). In all cases, Respondents determine the estimated home value, the amount of the Promotion Fee, and the amount of the Early Termination Fee. This loan structure also ensures Respondents capture the benefit of price appreciation, while shifting the risk of price depreciation to the consumer.

45. Additionally, Respondents' HBA security interest may complicate, limit, or prevent consumers from obtaining a new mortgage to the extent that it prevents a mortgage lender from obtaining marketable, first-priority title.

46. Respondents sent HBA and/or Memorandum recording requests on "MV Realty" letterhead directed to the clerk's office of the Maryland county in which the consumer's home is located. To cover associated recording costs, Respondent PBC issued a check to the corresponding clerk's office.

47. Respondents PBC, MV Realty of Maryland, Zachman, and/or "MV Realty" are repeatedly identified as the submitting and/or contact person on State of Maryland Land Instrument Intake Sheets that correspond to recorded HBAs and Memorandums.

48. Respondent Zachman counter-signed hundreds of recorded HBAs, Memorandums, and related documents that are recorded against consumers' homes.

49. In July of 2022, Respondents Mitchell, Zachman, and Manchester executed an Omnibus Written Consent authorizing designated signatories to execute HBAs and Memorandums on behalf of MV Realty of Maryland. Those authorized signatories executed hundreds of HBAs and Memorandums with Maryland consumers.

50. Respondent Mitchell executed and continues to execute HBP documents, including subordination agreements and terminations, that are recorded against homeowner title.

51. Respondents solicited lenders or investors for funds or credit to expand their HBP scheme into Maryland and elsewhere. Corresponding documents, including lender or investor presentations, make clear that at all relevant times, Respondents knew and intended that each HBA, once recorded upon title, acts as a lien and security interest evidencing a payment obligation.

52. In March of 2021, Respondent Mitchell executed a Summary of Terms with a soon-

to-be lender. The very first paragraph of this document explains that HBAs “are secured liens and/or deeds of trusts, and therefore, the homeowner is unable to transfer title without receiving a lien release from MV.”

53. One investor presentation boasts that “MV Realty files liens on all contracts within 48hrs [sic] of origination” and has “the right to record on the applicable land record its security interest in the contemplated future commission payments, thereby providing “teeth” to the contract...[t]herefore, homeowner is unable to convey clean title without receiving a lien release from MV Realty[.]”

54. Another investor presentation (involving a soon-to-be-lender) asserts: “[i]mportantly, the [HBA] is recorded to the home title in the local jurisdiction, so the homeowners are unable to sell the homes with clean title without paying MV its commission.” It goes on to say that a “key item” of the HBP is “MV’s ability to record the [HBA], thereby becoming part of the official title and serving as a quasi-lien.”

55. The same presentation suggests HBAs could be securitized and sold.

56. In July of 2021, a subsidiary of Respondent PBC entered into a credit agreement that provided a \$40 million line of credit to expand the HBP. Respondent Mitchell executed the credit agreement on behalf of MV Realty in his capacity as the CEO of Respondent PBC and president of various state-specific subsidiaries.

57. In September of 2022, Respondent Mitchell executed an amendment to the credit agreement in his capacity as the CEO of Respondent PBC and president of various state-specific subsidiaries, including Respondent MV Realty of Maryland.

58. The credit agreement and amendments set forth eligibility criteria for the HBAs, including that the HBA must be recorded “with the proper clerk’s office” and “[c]onstitutes a legal,

valid and binding payment obligation of the related Homeowner, enforceable in accordance with its terms.”

59. Further, the credit agreement stipulates that each party is compliant with all required license laws, and provides for an information exchange, including annual financial statements and data concerning the likelihood that a home will be sold in the 40-year HBA period.

*See infra* ¶ 81.

60. While Respondents no longer offer HBAs in Maryland, they continue to enforce existing and recorded HBAs, collect fees from consumers, and enter into subordination agreements that ensure their HBAs continue to encumber consumers’ real property.

61. Effective on or about October 1, 2025, SDAT forfeited the business registrations of Respondents MV Realty of Maryland and MV Brokerage of Maryland. As a result, while Respondents remain poised by their active HBA or Memorandum security interests to collect Early Termination Fees, in fact, Maryland consumers cannot use Respondents’ listing agent services, predict who will provide such services (or what their qualifications and experience might be), or exercise any choice in the matter.

#### HBAs and Memorandums:

62. The HBA and Memorandum, taken together, contain about a dozen pages of small, single-space font with several blocks for the homeowner to initial and sign.

63. Respondents MV Realty of Maryland or MV Brokerage of Maryland are the named counter-party to each HBA and Memorandum.

64. Each HBA confers to Respondents the “exclusive right to act as listing agent (as a transaction broker) for any sale” of the consumer’s home and purports to allow Respondents to delegate or assign their rights under the HBA, including the right to receive money from the

consumer.

65. HBAs include extraordinarily onerous terms and conditions, including that:

- a. the duration of the HBA is 40 years (*i.e.* longer than a 30-year mortgage);
- b. the HBA secures payment of a purported Early Termination Fee worth 3.0% of the greater of the estimated home value at the time the HBA was offered or at the time the event triggering payment occurred, as determined by Respondents, regardless of whether any legitimate listing agent services are provided;
- c. the HBA survives the consumer's death and binds heirs as a covenant purportedly running with the land; and,
- d. a consumer's heirs must pay an Early Termination Fee if they do not timely assume the HBA following the death of their ancestor.

66. Each Memorandum gives notice of the HBA and advises that both the HBA, and the consumer's obligations thereunder, are subject to a 40-year "covenant[] running with the land and shall bind future successors-in-interest to title to the Property" (emphasis omitted). A Memorandum further instructs: "*[t]here may be amounts due and owing to [Respondent], and prior to any deed transfer or conveyance, confirmation from [Respondent] on amounts due must be obtained by the title company or third party closing agent*" (emphasis added).

67. Respondents have enforced HBAs against Maryland consumers' heirs or successors in interest by requiring heirs or successors to pay Early Termination Fees and other amounts.

68. Pursuant to an HBA, should a homeowner use Respondents' listing agent service, Respondents charge a commission of 3.0% of the sale price if there is a buyer's agent, or if there

is not, 6.0% of the sale price. The minimum commission is stated in the consumer's HBA.<sup>8</sup>

69. In addition to a 3.0% to 6.0% commission for listing agent services, Respondents charge a \$500 "administrative fee." This \$500 fee is not disclosed to consumers in written materials provided by Respondents when consumers agree to the cash advance.

70. To use Respondents' listing agent services, a consumer must enter into an exclusive listing agreement. Neither the HBA nor the Memorandum are an exclusive listing agreement. Indeed, each listing agreement template provides that it is "separate and apart" from the HBA.

71. If Respondents believe a homeowner may breach the HBA, they may dispatch a demand letter by text message, mail or e-mail on "MV Realty" letterhead. Demands made *via* e-mail are at times signed by employees or agents of Respondent PBC. These demands instruct that the consumer is "liable to pay MV Realty 3% of the sales price or fair market value of the Property, payable on or before the closing date" of the prospective sale of the home.

72. On information and belief, Respondents have corresponded about their HBA security interests with consumers and their representatives, title companies, and prospective lenders. Such correspondence includes demands for the payment of Early Termination Fees and at times concerns the subordination of HBA liens in connection with new mortgage loans.

Respondents' Consumer Lending Activities:

73. In originating each HBA and Promotion Fee, Respondents engaged in the business of consumer lending. In short, Respondents extended loans or advances of money or credit to consumers in exchange for an agreement to repay at least 3.0% of the estimated home value. Respondents then record the HBA and/or Memorandum, and the security interest ensures they will

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<sup>8</sup> Similar to the Early Termination Fee, the HBA imposes a commission floor that nets Respondents the benefit of any price appreciation, while shifting the risk of price depreciation to the consumer.

collect principal plus a usurious implied finance charge during the ensuing 40-year period – even if the consumer dies.

74. Respondents' Promotion Fees are loans or advances of money or credit in amounts of less than \$25,000 and used by Maryland homeowners for personal, family or household purposes. The Promotion Fees are, in nearly every instance, in amounts of \$4,000 or less.

75. Respondents were engaged in the business of consumer lending when they offered and advanced Promotion Fees to Maryland consumers.

76. None of the Respondents are exempt or duly licensed and bonded to offer or provide loans or advances of money or credit to consumers in Maryland.

77. The minimum Early Termination Fee and commission is stated on the face of each HBA. Given an advance of 0.0027% of the estimated home value and a minimum repayment amount of 3.0% of the estimated home value, Respondents are entitled to a usurious gross return totaling 1,111%.

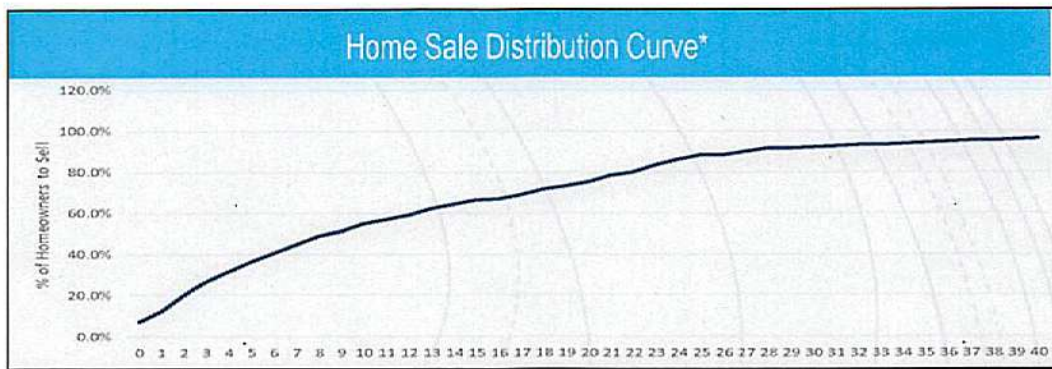
78. In originating HBA loans under the HBP, Respondents failed to provide consumers with the statement required by § 12-308(a) of the MCLL, which requires the lender, at the time the loan is made, to provide a statement quoting CL §§ 12-306 (maximum rates of interest), 12-307 (certain fees collectible), and 12-312 (insurance) in their entireties. That statement must also comply with CL § 12-106(b), which among other things requires that prior to the execution of a loan contract, the lender shall furnish to the consumer a written statement setting forth the total principal amount of the loan and the total amount of finance charge to be paid, along with the annual effective rate of simple interest charged.

79. The interest rate of an HBA loan varies by transaction. This is so because the value of the Early Termination Fee is the *greater* of 3.0% of (a) the estimated home value at the time of

HBA origination, or (b) the estimated home value at the time of the event triggering repayment (as determined by Respondents). Since home prices tend to appreciate over time and the property may transfer at any time during the 40-year HBA period, the interest rate is not final until the Early Termination Fee is collected.

80. A property transfer is almost certain to occur during the 40-year repayment period of each HBA, thereby triggering the repayment obligation against the consumer.

81. In one investor presentation, Respondents represented the certainty of home sales over 40 years with the following graph:



82. Pursuant to HBAs and/or Memorandums, Respondents have charged and collected Early Termination Fees from Maryland homeowners, including through breach letters directed to consumers and lien payoff or escrow instructions directed to real estate agents or title companies.

83. Maryland consumers have paid commissions and \$500 administrative fees to Respondents in connection with exclusive listing agreements.

84. On information and belief, a significant – if not majority – proportion of Respondents' HBA revenues in Maryland derive from their collection of Early Termination Fees.

Respondents' Advertising and Sale Practices:

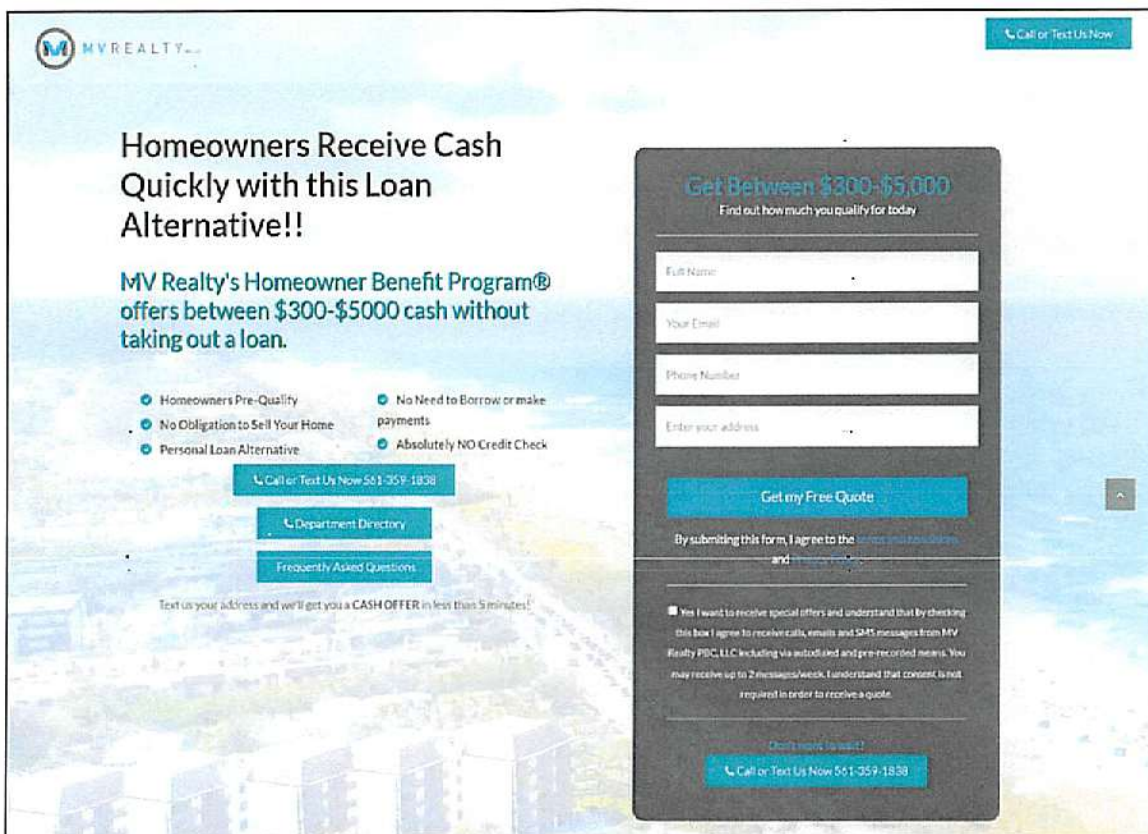
85. Respondents engaged in aggressive marketing and telemarketing to put the HBP in

front of Maryland consumers. They deceptively advertised the HBP through websites, internet advertisements, direct telemarketing to consumers, emails, and text messages.

86. Respondent's advertisements repeatedly emphasized that the HBA is a "loan alternative" or "personal loan alternative" that required no credit check and incurred no debt or repayment requirement.

87. These advertisements represented that Respondents paid cash of \$300 up to \$5,000.

88. For example, as of October 2022, a website operated by Respondents, <https://homeownerbenefit.com>, deceptively conveyed to consumers that the HBP is a "Personal Loan Alternative" incurring "No Need to Borrow or make payments":



89. Respondents' Google advertisements presented the HBP, among other things, as "more than a stimulus" that "offers cash for home expenses without a loan." For example:



90. Respondents sold HBAs to consumers through an aggressive telemarketing, email, and text message campaign fueled by the acquisition of leads that enabled Respondents to target financially-vulnerable consumers seeking, among other things, loans; personal loans, payday loans, liquidity, or who were in need of financial assistance.

91. Respondents utilized “transfer specialists” to offer HBAs in Maryland. These individuals offered HBAs to consumers *via* hundreds of outbound calls.

92. On information and belief, Respondent Manchester formed or caused to be formed the transfer specialist and lead protocols that facilitated rapid expansion of the HBP, including in Maryland, by expanding the number of consumers targeted for HBA sales and ensuring sufficient staffing to aggressively telemarket the program to consumers.

93. Transfer specialist training materials include scripts used to offer HBAs to consumers. These scripts omit or conceal HBA terms, such as the length of the HBA, the repayment requirement, the security interest, and that heirs were bound. One script states:

Script 3

“Hello (Homeowner)?” [Pause]

“This is \_\_\_\_\_ with the Homeowner Benefit Program. The reason for the call is that you qualify for our Homeowner Benefit Program, where we pay homeowners on average \$400-\$1,000 dollars.

Just to confirm, are you still a homeowner here in (City)?” [Pause]

“Excellent! (Homeowner), to be more specific, we will pay you for us to be your future realtor. To be clear, this is not a loan, so we would never ask for you to pay us back, and you’re not required to ever sell your home.

All we ask is that IF you ever decide that you need a realtor in the future that you choose to work with us. And for this opportunity, we will pay you for this opportunity. Does that make sense?”

[Pause]

“Great! In less than 2 minutes, I will have one of my agents give you the exact amount we can offer you today.

You will hear the phone ring, but know that I will be on the phone with you the entire time. Hold on.

94. In addition to sales scripts, Respondents also trained transfer specialists to provide boilerplate responses to commonplace consumer objections. For example, if a homeowner was concerned that Respondents would file a lien on their home, transfer agents were trained to deceptively respond by stating “we do not file a lien[.]”

95. Similarly, transfer specialists were trained to omit material information in response to objections from homeowners who planned to leave their home to their heirs. One objection-handling script was non-responsive and deceptive with respect to such an objection:

Not Selling / I am Leaving my Home to My Family

*[I don't want to sell my home.]*

“(Homeowner), that’s wonderful that you found your forever home! The great thing is that this program is perfect

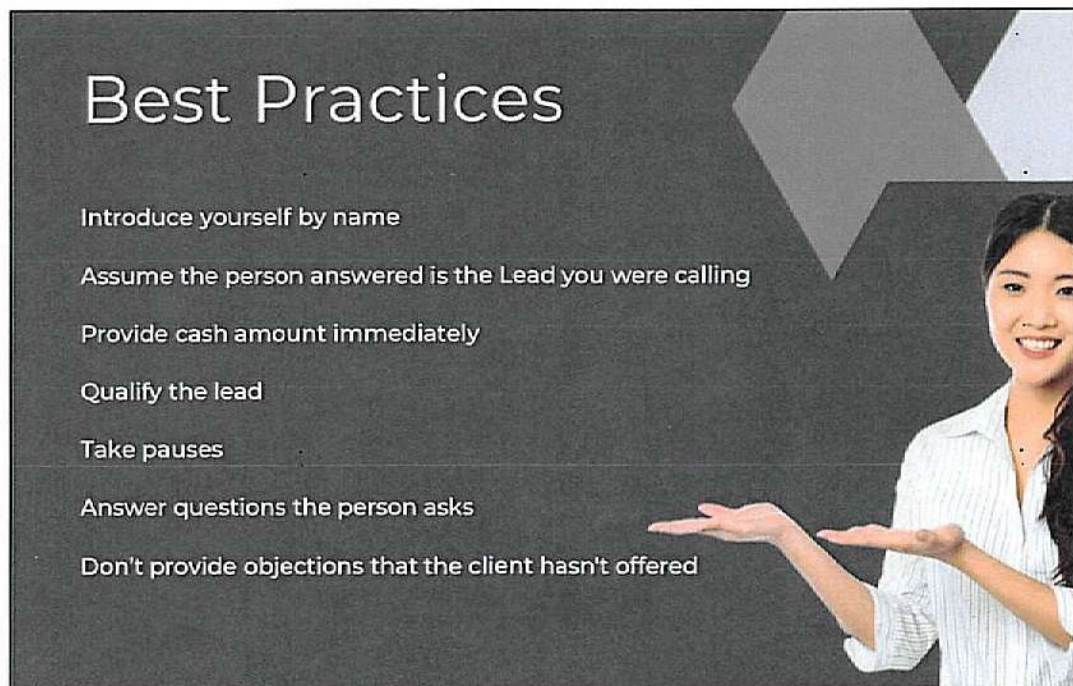
for homeowners that have no plans on selling their home. If you choose to never sell your home, then you would simply keep the money.

All we are saying is that if you happen to change your mind sometime in the future, then we would like to be the company that has the first rights to list it. Does that make sense? [Pause]

"Great! In less than 2 minutes, I will have one of my agents give you the exact amount we can offer you to be your future realtor. You will hear the phone ring, but know that I will be on the phone with you the entire time. Give me 2 seconds and stay on the line with me..."

96. After a transfer specialist offered the HBA and the consumer agreed, the specialist would transfer the call to a real estate salesperson for additional sales pitches and to close the sale.

97. On information and belief, Respondents trained their telemarketers that to adhere to "best practices," they should not "provide objections that the client hasn't offered." That is, if a consumer did not object to an HBA term, *about which they would have no way of knowing*, agents were trained not to provide additional information. A training slide explained:



**Best Practices**

- Introduce yourself by name
- Assume the person answered is the Lead you were calling
- Provide cash amount immediately
- Qualify the lead
- Take pauses
- Answer questions the person asks
- Don't provide objections that the client hasn't offered

The slide features a dark background with a large, light-colored arrow pointing downwards on the right side. A photograph of a smiling woman with long dark hair, wearing a light-colored striped shirt, is positioned on the right side of the slide, with her hands held out in a gesture.

98. Respondents' marketing, advertising, and sales practices routinely failed to inform consumers of material HBA terms, including but not limited to the following:

- a. each HBA binds the consumer and their home to a 40-year repayment period;

- b. each HBA survives the consumer's death and binds heirs or assigns;
- c. each HBA will be recorded and constitutes a lien, encumbrance, or cloud on title that secures payment of at least 3.0% of the estimated home value, even when Respondents provide no legitimate listing agent services; and,
- d. Respondents charge an "administrative fee" of \$500 to utilize listing agent services.

99. Once a homeowner agreed to enter an HBA, Respondents sent a mobile notary to meet the homeowner, usually at the consumer's residence.

100. Notary appointments lasted mere minutes, despite the significant, long-term, and multi-generational repayment obligations arising from the HBA.

101. On information and belief, mobile notaries were neither trained nor required by Respondents to explain to consumers any substantive provision of an HBA or Memorandum.

102. No Respondent nor employee of the Business Respondents were physically present when the homeowner signed an HBA and Memorandum.

103. On information and belief, Respondents neither regularly provided nor required that consumers be provided a copy of the HBA or Memorandum prior to the notary appointment.

104. On information and belief, before signing an HBA, Respondents did not provide consumers with a copy of the exclusive listing agreement(s) templates weblinked in the HBA.

105. On information and belief, a notary appointment was usually the first time that a homeowner was able to see the offered HBA and Memorandum.

106. On information and belief, at the conclusion of the appointment, Respondents did not require notaries to provide the consumer with a copy of the HBA and Memorandum.

107. An HBA purports to incorporate a 3-day period for the homeowner to rescind the HBA and tender back the Promotion Fee. The rescission period begins as soon as the consumer

signs the HBA. However, on information and belief, Respondents often waited until the 3-day rescission period had nearly- or fully-elapsed before emailing the HBA and/or Memorandum to the homeowner, effectively limiting the rescission period or rendering it illusory to the extent that the consumer did not have a copy of the HBA, Memorandum, or model exclusive listing agreement available to assess their respective terms and conditions and determine whether to rescind the agreement.

108. Respondents' advertising, telemarketing, and sales practices prevented consumers from discovering the unusual and onerous material terms of the HBA.

#### **Violations of the Maryland Consumer Loan Law**

109. The Division incorporates paragraphs 1 through 108 as if fully alleged herein.

110. Respondents are nonexempt persons engaged in the business of consumer lending and must be licensed under the MCLL. FI §§ 11-201 and 11-203.1; CL §§ 12-301 and 12-302.

111. Each Promotion Fee advanced by Respondents to a Maryland consumer pursuant to an HBA is a loan or advance of credit of \$25,000 or less, made primarily for personal, family, or household purposes. FI § 11-201(g); CL §§ 12-301(f)(1), 12-303 and 12-314.

112. Respondents violated the MCLL in connection with their offering and making of loans or advances of credit to Maryland homeowners. They did so in a manner that includes, but is not limited to, the following:

- a. engaging in the business of consumer lending by offering and making loans to Maryland consumers without first becoming licensed and bonded, in violation of FI §§ 11-203.1(a) and 11-206(c), and CL § 12-302 and CL § 12-314(a)(3);
- b. engaging in usurious lending by charging and collecting Early Termination Fees at implied rates of interest or other consideration that exceeds the maximum annual

- effective rate of simple interest permitted under the MCLL, which is either 24% or 33% depending on the original principal balance of the loan and the remaining, unpaid principal balance, in violation of §§ 12-306 and 12-314(a)(1) of the MCLL;
- c. failing to provide each consumer a statement which quotes §§ 12-306, 12-307, and 12-312 of the MCLL in their entireties and complies with CL § 12-106(b), when each HBA loan was made, in violation of § 12-308(a)(1) of the MCLL; and
  - d. taking security interests in real property in connection with HBA loans of under \$4,000 in value or amount, in violation of § 12-311(c)(1)(i) of the MCLL.

113. Pursuant to § 12-314(b)(1)(i)(3) of the MCLL, all HBA loans in Maryland are void and unenforceable because Respondents are not exempt from the MCLL and were not duly licensed by the Commissioner pursuant to the Licensing Provisions when the loans were made.

114. Pursuant to § 12-314(b)(1)(i)(1) of the MCLL, all HBA loans in Maryland are void and unenforceable because each incurs a rate of interest, charge, discount, or other consideration greater than permitted by Maryland law, including § 12-306 of the MCLL.

115. Pursuant to § 12-311(c)(2) of the MCLL, all liens taken by Respondents against real property (*i.e.*, consumers' homes) in violation of § 12-311(c)(1)(i) of the MCLL are void.

116. Pursuant to § 12-314(b)(2) of the MCLL, because all HBA loans in Maryland are void and unenforceable, Respondents "may not receive or retain any principal, interest, fees, or other compensation with respect to any" HBA loan.

117. Pursuant to § 12-314(d) of the MCLL, because all HBA loans in Maryland are void and unenforceable, Respondents cannot: (i) collect or attempt to collect, directly or indirectly, any amount from a consumer pursuant to an HBA; (ii) enforce or attempt to enforce an HBA against any property securing the loan; or (iii) sell, assign, or otherwise transfer an HBA to another person.

118. Respondents' consumer lending and debt collection practices are also subject to the CDCA and CPA.

**Violations of the Consumer Debt Collection Act**

119. The Division incorporates paragraphs 1 through 118 as if fully alleged herein.

120. Respondents are "persons" and "collectors" within the meaning of and subject to the CDCA because they have collected and attempted to collect alleged debts arising out of consumer transactions. CL § 14-201(b), (d).

121. Respondents' HBAs, Memorandums, and Promotion Fees constitute "consumer transactions" as defined in § 14-201(c) of the CDCA to mean "any transaction involving a person seeking or acquiring real or personal property, services, money, or credit for personal, family, or household purposes."

122. In collecting or attempting to collect an alleged debt, a collector may not, among other acts prohibited by the CDCA, "[c]laim, attempt, or threaten to enforce a right with knowledge that the right does not exist." CL § 14-202(8).

123. Under the MCLL, a license was and is required to engage in the business of consumer lending in Maryland. Respondents are not licensed to engage in the business of consumer lending in Maryland. Nonetheless, Respondents originated as many as 1,047 HBA loans that were for personal, family, or household purposes, which did not exceed \$25,000 in amount, and were in nearly all instances less than \$4,000.

124. Respondents knew or should have known that because they were not licensed pursuant to the MCLL to make consumer loans, their HBA loans were void and unenforceable under § 12-314(b)(1)(i)(3) of the MCLL, and thus, they lacked the legal right to "receive or retain any principal, interest, fees, or other compensation" in connection with any HBA or to "[c]ollect

or attempt to collect, directly or indirectly, any amount from the borrower” pursuant to § 12-314(b)(2) and (d)(1) of the MCLL. Nevertheless, Respondents collected or attempted to collect Early Termination Fees from consumers, in violation of § 14-202(8) of the CDCA.

125. Respondents knew or should have known that their HBA loans provided for a direct or indirect rate of interest, charge, or other consideration that exceeds statutory maximums under the MCLL, such that their HBA loans were void and unenforceable pursuant to §§ 12-306 and 12-314(b)(1)(i)(1) of the MCLL, and thus, they lacked the legal right to “receive or retain any principal, interest, fees, or other compensation” in connection with any HBA or to “[c]ollect or attempt to collect, directly or indirectly, any amount from the borrower” pursuant to § 12-314(b)(2) and (d)(1) of the MCLL. Nevertheless, Respondents collected and attempted to collect Early Termination Fees from consumers, in violation of § 14-202(8) of the CDCA.

126. Respondents knew or should have known that their HBA loans were for less than \$4,000 in value such that pursuant to § 12-311(c)(1)(i) of the MCLL, they were prohibited from taking any security interest in real property to secure those loans. Nevertheless, Respondents recorded security interests against consumers’ homes, thereby clouding title and compelling payment of Early Termination Fees, in violation of § 14-202(8) of the CDCA.

127. Respondents have collected or attempted to collect Early Termination Fees from consumers, including heirs or successors in interest.

128. Respondents violated the CDCA when they collected or attempted to collect money from consumers with knowledge or reckless disregard of the fact that they had no legal right to do so. This conduct included, but was not limited to, issuing letters, text messages, and other correspondence to consumers and their representatives or title companies, and demanding payoff of Respondents’ unlawfully recorded, void, and unenforceable HBA liens or security interests.

129. Respondents violated § 13-301(14)(iii) of the CPA when they violated the CDCA.

**Violations of the Consumer Protection Act**

130. The Division incorporates paragraphs 1 through 129 as if fully alleged herein.

131. Respondents' HBP, HBAs, and Memorandums are consumer services used primarily for personal, household, or family purposes as defined in § 13-101(d)(1) of the CPA and thus constitute consumer services under the CPA.

132. HBA loans or advances of money or credit are used by consumers primarily for personal, household, or family purposes, and thus are "consumer credit," "consumer debts or obligations," and "consumer services," as defined by § 13-101(d)(1) of the CPA.

133. The money that Respondents collected or attempted to collect from consumers pursuant to HBAs and Memorandums are "consumer debts" under § 13-101(d)(1) of the CPA.

134. At all relevant times, Respondents engaged in the business of consumer lending when they directly or indirectly marketed, solicited, offered, sold, made available, extended, provided, collected on, and/or serviced HBA loans or advances of money or credit under the HBP and applicable HBAs or Memorandums, or otherwise engaged in activities in any way related to or arising from such loans, including but not limited to the recording of HBAs and Memorandums on chain of title to consumer real property, thus taking a security interest in the real property to facilitate the charging and collection of money pursuant to HBA loans. The business of consumer lending encompasses the offering or making available of "consumer credit" and "consumer services," as defined by § 13-101(d)(1) of the CPA. Further, the charging and collection of \$500 administration fees in connection with the listing and/or sale of consumer real property constitutes "consumer services" as defined by § 13-101(d)(1) of the CPA.

135. Respondents offered or made available HBAs and Memorandums, engaged in the business of consumer lending, and offered or made available consumer credit and services. Respondents are thus “merchants” and “persons” as defined by § 13-101(g) and (h) of the CPA.

136. Respondents engaged in unfair, abusive, and deceptive trade practices that are generally prohibited by §§ 13-303(1), (2), (4), (5), and 13-301(1), (2), (3), and 14(iii) of the CPA and 14-202(8) of the CDCA.

### *Unfair Trade Practices*

137. Respondents engaged in unfair trade practices in violation of § 13-303 of the CPA in their consumer lending and in the offering of, entering into, or enforcement of HBAs and Memorandums with Maryland consumers.

138. Respondents’ unfair practices have caused and are likely to cause substantial harm to Maryland consumers. These harms include, *inter alia*:

- a. recording unlawful liens or security interests that prevent the sale of consumers’ homes, even after the death of the consumer, until the consumer, their heir or successor pay Respondents at least 3.0% of the home value;
- b. recording unlawful liens or security interests against consumers’ homes that may impede, delay, or prevent consumers from obtaining a new mortgage;
- c. demanding, charging, and collecting money from consumers pursuant to HBA loans or advances which are void and unenforceable;
- d. demanding, charging, and collecting money from consumers pursuant to HBA liens or security interests which are void;
- e. demanding, charging, and collecting large sums of money in exchange for relatively small cash advances; and,

- f. demanding, charging, and collecting sums of money in connection with HBA loans or advances that exceed the MCLL interest rate cap of 24% or 33%.

139. Consumers could not reasonably avoid the substantial harm caused by Respondents' practices because Respondents engaged in deception and omitted material facts at every stage of advertising, telemarketing, offering, entering, enforcing, and collecting or attempting to collect upon HBAs and Memorandums.

140. The substantial harm that consumers have suffered or are likely to suffer are not outweighed by any countervailing benefits to consumers or competition.

#### *Abusive Trade Practices*

141. Respondents engaged in abusive trade practices prohibited by § 13-303 of the CPA when they took unreasonable advantage of a lack of understanding on the part of the consumers of the material risks, costs, or conditions of the HBAs actually being offered and provided, including but not limited to when Respondents:

- a. offered and entered HBAs with Maryland homeowners who did not or could not understand that Respondents were engaged in the business of consumer lending;
- b. offered and entered HBAs and Memorandums with Maryland homeowners who did not or could not understand that these instruments would be recorded against their title and act as a lien securing payment to Respondents of least 3.0% of their estimated home value, as well as a potential \$500 administrative fee;
- c. offered and entered HBAs and Memorandums with Maryland homeowners who did not or could not understand that these instruments would bind their heirs or successors;

- d. failed to provide consumers with a copy of their HBA and/or Memorandum until the three-day rescission period had nearly- or fully-elapsed, thus preventing consumers from having an opportunity to discover the material risks, costs, or conditions of these documents during the brief period of time in which they could cancel or rescind them;
- e. demanded, charged, and collected money that they could not lawfully receive or retain under the MCLL, including from heirs or successors; and,
- f. demanded, charged, and collected money, including from heirs or successors, pursuant to unlawful HBA liens or security interests which are void.

***Deceptive Trade Practices***

142. Respondents made false or misleading oral or written statements or other representations having the capacity, tendency, or effect of deceiving or misleading consumers and which are deceptive trade practices prohibited by § 13-303 of the CPA, as defined in § 13-301(1) of the CPA, including but not limited to, when Respondents expressly or impliedly represented that:

- a. they are compliant with Maryland law, including the MCLL, CDCA, and CPA, and will remain in compliance, when in fact Respondents were and are not;
- b. the HBA was a “loan alternative,” when in fact it was a loan or advance, and a consumer transaction, subject to the MCLL, the CDCA, and the CPA;
- c. consumers incurred neither a debt nor a repayment obligation upon entering an HBA, when in fact they incurred both;
- d. the HBA debt and repayment obligation do not bind heirs or successors, when in fact it does;

- e. they would not file a lien against the consumer's home, when in fact they routinely recorded HBAs and Memorandums that act as a lien securing a payment obligation and debt of least 3.0% of the consumer's home value;
- f. they are legally entitled to collect, directly or indirectly, any amount from a consumer pursuant to an HBA or Memorandum, when in fact they are not;
- g. they are legally entitled to collect, indirectly or directly, any amount from a consumer pursuant to their HBA or Memorandum lien or security interest, or to otherwise enforce that lien or security interest, when in fact they are not; and,
- h. they are legally entitled to sell, assign, or otherwise transfer their HBAs or Memorandums to another person, when in fact they are not.

143. Respondents made representations having the capacity, tendency, or effect of deceiving or misleading consumers and are deceptive trade practices prohibited by § 13-303 of the CPA, as defined in § 13-301(2)(i) and (ii) of the CPA, including but not limited to, when they represented to consumers, expressly or impliedly, that:

- a. Respondents' HBP, HBAs, and Memorandums had a sponsorship, approval, or characteristic which they did not and do not have, by falsely characterizing these instruments as "loan alternatives" incurring neither a debt nor a repayment requirement, when in fact each HBA constitutes a usurious loan that attaches to real property and incorporates an effective repayment period; and,
- b. Respondents had an approval or status or were of a particular standard or quality (*i.e.* duly licensed and bonded to engage in the business of consumer lending) that they did not and do not have.

144. Respondents failed to state material facts, the omission of which deceived or tended to deceive consumers, in each instance constituting a deceptive trade practice prohibited by § 13-303 of the CPA, as defined in § 13-301(3) of the CPA, including but not limited to when they failed to inform consumers:

- a. that Respondents, through their practice of advancing Promotion Fees and recording HBAs or Memorandums against title, are in the business of secured consumer lending, but not duly licensed or bonded to do so in Maryland;
- b. that the HBA loans exceeded the maximum interest rates permitted by the MCLL;
- c. of the total principal amount and finance charged for the HBA loans;
- d. of the annual effective interest rate of the HBA loans;
- e. that the HBA binds consumers and their realty for a 40-years ;
- f. that the HBA binds the consumer's heirs and successors to its terms;
- g. that Respondents record the HBA and/or Memorandum against the consumer's title, and the recording acts as a lien securing a repayment and debt of at least 3.0% of the home value;
- h. that Respondents expect repayment of the Promotion Fee together with a usurious finance charge floored at 3.0% of the estimated home value;
- i. that Respondents will collect 3.0% of the estimated home value to terminate an HBA, even when they provide no legitimate listing services of any kind;
- j. that Respondents will charge and collect an undisclosed \$500 "administrative fee" in addition to a 3.0% to 6.0% commission for listing services;
- k. that Respondents could not lawfully collect, directly or indirectly, any amount from a consumer pursuant to an HBA; and,

1. that Respondents could not lawfully record a security interest against consumers' homes to collect any amount from a consumer pursuant to an HBA or Memorandum.

#### **CLAIM FOR RELIEF**

145. By violating the MCLL, CDCA, and CPA, Respondents are subject to a cease-and-desist order and are liable for restitution, economic damages, civil penalties, and costs, pursuant to the CPA §§ 13-402, 13-403, 13-409, and 13-410.

WHEREFORE, the Proponent respectfully requests that the Consumer Protection Division issue an Order:

A. Finding Respondents engaged in unfair, abusive, or deceptive trade practices in connection with their (a) advertising, offering, entering, recording, and enforcement of HBAs and Memorandums, (b) extension of consumer credit, and (c) collection of consumer debts, in violation of § 13-303(1), (2), (4), and (5) of the CPA;

B. Finding Respondents engaged in unfair, abusive, or deceptive trade practices in connection with their business of consumer lending, extension of consumer credit, and collection of consumer debts by making and collecting on HBA loans without being exempt or duly licensed to do so, engaging in usurious lending practices, and collecting or attempting to collect principal, interest, fees, or other compensation in violation of the MCLL, CDCA, and § 13-303(4), and (5) of the CPA, and further, finding that all HBAs loans are void and unenforceable such that no person shall: (a) receive or retain any principal, interest, fees, or other compensation with respect to any HBA; (b) collect or attempt to collect, directly or indirectly, any amount from any Maryland consumer pursuant to any HBA; (c) enforce or attempt to enforce any HBA security interest against

any consumer real property that secures an HBA loan; or (d) sell, assign, or otherwise transfer any HBA loan to another person.

C. Finding Respondents took prohibited security interests in real property in connection with HBA loans of under \$4,000 in value or amount, in violation of the MCLL, and that each and every lien so taken is void, and unfair, deceptive or abusive under the CPA;

D. Finding Respondents collected and attempted to collect Early Termination Fees that they were prohibited from collecting, in violation of the MCLL, CDCA, and CPA;

E. Finding Respondents collected and attempted to collect Early Termination Fees through security interests that they were prohibited from recording against title to real property, in violation of the MCLL, CDCA and the CPA;

F. Requiring Respondents to cease and desist from engaging in unfair, abusive, or deceptive trade practices in violation of the CPA;

G. Requiring Respondents, jointly and severally, to take affirmative action, including the termination and release of each and every HBA and Memorandum recorded among the land records of each Maryland county, including Baltimore City.

H. Requiring Respondents, jointly and severally, to take affirmative action, including making restitution of all monies that Respondents received in connection with their unfair, abusive, or deceptive trade practices;

I. Requiring Respondents, jointly and severally, to pay economic damages;

J. Requiring Respondents, jointly and severally, to pay the costs of this proceeding, including all costs of investigation, pursuant to § 13-409 of the CPA;


K. Requiring Respondents, jointly and severally, to pay a suitable civil penalty of \$10,000 per violation, pursuant to § 13-410 of the CPA; and,

- L. Granting such other and further relief as is appropriate and necessary.

Respectfully submitted,

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