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Practice Group(s):
Consumer Financial
Services

K&L Gates Files Federal Pro Bono Action to Challenge Foreclosure Rescue Scheme

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On March 6, 2012, K&L Gates LLP filed a federal lawsuit challenging an allegedly discriminatory and otherwise unlawful foreclosure rescue scam targeted to Hispanic homeowners in Northern Virginia. The National and Washington Lawyers' Committees for Civil Rights are co-counsel with us in this pro bono effort.

We filed the lawsuit in the U.S. District Court for the Eastern District of Virginia and named as defendants Bella Homes, LLC ("Bella") and a number of its management officials and agents. Plaintiffs Jose and Margarita Viera allege that they have been the victims of Bella's scheme to target Hispanic homeowners who were having difficulty making their mortgage payments. The crux of the complaint is that Bella and its agents represented to Hispanic homeowners that foreclosure could be avoided by transferring title to the property to Bella and continuing to live in the home as renters.

The complaint alleges that:

- Bella instructed the plaintiffs to pay "rent" to Bella over a several-year term, while representing that it would negotiate with the mortgage lender to purchase the mortgage at a discount and cancel it.
- Bella represented to plaintiffs and other customers that they would be permitted to repurchase the home at less than the appraised value. Although Bella becomes the "owner" of the property, Bella assumes no obligation for taxes or maintenance, nor does it agree to make the mortgage payments. Bella collected almost \$5,000 in "rent" payments from the Vieras, while instructing them not to make their mortgage payments.
- Bella made efforts to conceal the title transfer from the mortgage lender by not recording the title transfer and prohibiting the plaintiffs from recording their "lease agreement." Bella failed to inform plaintiffs that the transfer of title would cause the mortgage to become due and payable in full.
- Bella has filed frivolous lawsuits against mortgage lenders in a feigned effort to protect homeowners from foreclosure and eviction.

In late February, the U.S. Attorney and the state Attorney General in Colorado brought an enforcement action against Bella and its management. In that case, the company and its officials agreed to a preliminary injunction ceasing further operations and transferring approximately \$500,000 to the government pending final resolution of the case. The complaint in that action states that Bella derived more than \$3 million in "rent" payments as part of its scheme, the vast majority of which was used to pay the personal expenses of the individual defendants. *See United States v. Bella Homes LLC et al.*, No. 12-cv-390-MSK-MEH (D. Colo.).

Our lawsuit raises claims under the Fair Housing Act, 42 U.S.C. §§ 3601 *et seq.* and other federal and state statutes. Plaintiffs seek to recover clear title to the property as well as monetary damages. For a copy of the complaint, click [here](#).

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