



**For Immediate Release**  
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**FTC, ILLINOIS ATTORNEY GENERAL ANNOUNCE**  
**MORTGAGE BROKER SETTLEMENT**  
*Defendants Allegedly Misrepresented Key Loan Terms to Consumers*

Illinois-based mortgage broker Mark Diamond and his company, OSI Financial Services, Inc., have settled charges by the Federal Trade Commission and Illinois Attorney General Lisa Madigan that they misrepresented key loan terms to homeowners in the subprime market. The settlement requires the defendants to pay \$270,000 in consumer redress. It also enjoins them from misrepresenting loan terms, requires them to tape record future loan closings, and imposes other restrictions on defendants' business practices.

In July 2002, the FTC and the Illinois Attorney General's office filed a complaint against Mark Diamond and OSI Financial Services, Inc. alleging that the defendants engaged in numerous deceptive practices to induce consumers to take out mortgage loans. A significant number of these loans were 15-year balloon loans, or loans for which the final payment is substantially larger than the other monthly payments. The FTC/Illinois complaint alleged that the defendants, in many instances, misrepresented various loan terms, including the balloon payment, interest rate, prepayment penalty, and monthly payment amount.

According to the complaint, Diamond presented consumers with incomplete closing documents for signature in which the terms of the loan – such as the annual percentage rate, monthly payment amount, and balloon payment amount – were left blank, and required some borrowers to sign loan brokerage agreements in which the broker fee was left blank. The complaint further alleges that Diamond filled in the amount of the broker fee after the loan closing. This fee, which the borrower financed and paid out of the loan proceeds, was often 10 percent of the loan amount.

“We will not allow unscrupulous mortgage brokers to turn the American dream of home ownership into a nightmare,” said Howard Beales, Director of the FTC's Bureau of Consumer Protection. “This case is a wake-up call to brokers nationwide who are engaged in deceptive practices.”

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(Diamond/OSI 11/3/03)

“Mark Diamond and OSI took advantage of consumers who were trying very hard to buy a home despite past credit problems,” Madigan said. “As it turns out, the consumers’ biggest obstacle was not their credit rating – it was a con artist.”

The settlement bars the defendants from misrepresenting:

1. The payment schedule of the loan or the monthly payment amount, interest rate, annual percentage rate, finance charge, loan amount, or loan term;
2. The existence or nonexistence of any balloon payment;
3. The amount of cash to be disbursed to the borrower out of the loan proceeds;
4. That the loan does not have a prepayment penalty;
5. That the interest rate is fixed rather than adjustable or adjustable rather than fixed; and
6. That the monthly payment amount includes the payment into an escrow account for property taxes and insurance.

The consent decree also orders that the defendants provide consumers with an advance disclosure statement and consumer education brochure for every transaction in which the defendants offer consumers a mortgage loan, and enjoins them from conducting any loan closing. It also requires that, for a period of three years, the defendants must tape record the loan closings for all loans they broker. Further, the terms of the settlement require the defendants to pay \$270,000 in consumer redress and \$5,000 as a payment to the Illinois Attorney General “Court Ordered and Voluntary Compliance Payment Projects Fund.” Finally, the settlement contains standard recordkeeping provisions to assist the FTC in monitoring the defendants’ compliance.

The Commission vote to authorize staff to file the consent decree was 5-0. It was filed in the U.S. District Court for the Northern District of Illinois, Eastern Division on \_\_\_\_\_.

NOTE: The Consent Decree is for settlement purposes only and does not constitute an admission by the defendants of a law violation. The Consent Decree has the force of law when signed by the judge.

**Copies of the complaint and consent decree are available from the FTC’s Web site at <http://www.ftc.gov> and also from the FTC's Consumer Response Center, Room 130, 600 Pennsylvania Avenue, N.W., Washington, DC 20580. The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint, or to get free information on any of 150 consumer topics, call toll-free, 1-877-FTC-HELP (1-877-382-4357), or use the complaint form at <http://www.ftc.gov>. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.**

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