NEWS RELEASE

OFFICE OF THE UNITED STATES ATTORNEY
SOUTHERN DISTRICT OF CALIFORNIA
San Diego, California

United States Attorney
Laura E. Duffy

For Further Information, Contact:

Assistant U.S. Attorneys Emily Allen (619) 546-9738, Valerie H. Chu (619) 546-6750

For Immediate Release

HEAD OF "HAFFAR & ASSOCIATES" LAW FIRM PLEADS GUILTY TO TAX CHARGE

NEWS RELEASE SUMMARY – August 8, 2014

Today United States Attorney Laura E. Duffy announced the guilty plea of Mohammad Fouzi Haffar, the attorney who owned Haffar & Associates, a law firm in San Diego. Haffar pleaded guilty to willfully failing to report over $103,000 in taxes owed on his income.

According to Haffar's plea agreement, Haffar, underreported his income from Haffar & Associates,Inc. and Allied Financial Network, Inc. and misclassified his business expenses from Haffar & Associates. As a result, he understated his taxable income in the financial statements he provided to his return preparer. Haffar admitted that for tax years 2009 and 2010, Haffar owed a total of at least $103,095.73 in taxes that he failed to report or pay.

According to court documents, Haffar created the law firm of Haffar & Associates in June 2008. After practicing bankruptcy, personal injury, and contract law, in approximately November 2008, Haffar began offering home mortgage loan modification services through his firm. At the time, Haffar had no existing knowledge or experience in loan modifications. He contracted with another individual to provide loan modification services to the clients of Haffar & Associates, who represented that he had successfully completed loan modifications working with another attorney, and offered Haffar the opportunity to expand into this new practice area.

In approximately November 2008, Haffar entered into a contract with two businessmen to market Haffar & Associates' loan modification services. Their marketing company sold Haffar & Associates' loan modification services through a call center staffed with telemarketers. The marketing company successfully convinced more than 1,000 clients to retain Haffar & Associates for loan modification services. Clients paid fees of approximately $3,500 each.

Largely unbeknownst to Haffar, the marketing company used false and misleading statements to induce potential clients to pay Haffar & Associates, including falsely representing that: (1) an attorney would be negotiating on clients' behalf; (2) Haffar & Associates has a 98% success rate and had never lost a home to foreclosure; (3) clients were guaranteed a loan modification" (often specifying a certain monthly payment or interest rate; (4) clients would receive a refund of their fee if Haffar & Associates was unsuccessful at obtaining a loan modification; and (5) they conducted a forensic audit of the original loan documents for each client in order to discover whether the lender . . . violated one of many predatory lending laws.

In fact, Haffar did not provide legal services or work on the loan modification cases for the overwhelming majority of the over 1,000 clients of Haffar & Associates. Haffar earned approximately 6 to10% of the fee paid on each loan modification file, but this fee paid for the use of his name, bar license, and law firm, and not for Haffar's personal involvement in handling, submitting, negotiating and litigating loan modification cases from intake to completion. Haffar did not maintain any reserve fund to provide the promised refunds to clients, and there were insufficient funds to pay all the refunds requested.

Haffar stipulated to his disbarment on November 17, 2011 for his conduct. He was formally disbarred on June 21, 2012. He is obligated to reimburse the California State Bar's Client Security fund over $192,000 for amounts that have been paid to former clients of Haffar & Associates.

Haffar will next appear before Judge Houston on November 3, 2014 for sentencing.

DEFENDANT

Mohamad Fouzi Haffar, 35 San Diego, California

CHARGES

Subscribing to a False Tax Return, Title 26, United States Code, Section 7206(1)
Maximum penalties: 3 years in prison, $250,000 fine, 1 year of Supervised Release, and restitution to the IRS.

INVESTIGATING AGENCIES

United States Postal Inspection Service

Internal Revenue Service Criminal Investigation (IRS CI)

Federal Housing Finance Agency – Office of the Inspector General