

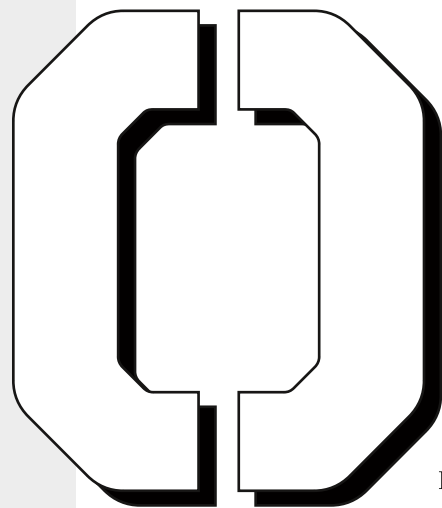
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# The Art of the Steal

How to spot predatory lenders,  
protect your interests, and save your assets

**ELI KARP**

Founder, Hello Living



**I have been in the world of commercial and residential real estate for over eighteen years. If someone with my experience and industry acumen can be targeted by predatory lenders, it can unfortunately happen to anyone. This guide will teach you how to protect yourself. If this helps even one person, it will have been worth it.**

**Eli Karp**

Over three years, I experienced being an unwitting victim to predatory lenders. I have witnessed how their deceitful acts have brought about the gradual destruction of my projects, companies, and everything I built.

It's easy to assume that those in the real estate business understand loans inside out. We believe that with our knowledge and experience on the matter, that everything will work out as planned. Unfortunately, this isn't always the case. No one stands a chance when skilled predatory lenders manage to make their way into a business under the guise of helpful, legitimate entities.

These unscrupulous individuals have perfected their craft; they use legal loopholes and modified documents to rob you of your hard-earned investments. What's more, they take advantage of your emotions, giving you false hope while dragging you deeper into the abyss. Predatory lenders are strategic; they pressure you very subtly to take steps to save your equity and that of your investors. With persuasive and sly tactics, they will convince you that you have no choice but to pledge your shares if you want to salvage the little, they make you think you have left. In other words, they drive you into accepting deals that will leave you penniless. Everything they do and say has a hidden agenda from the moment you engage with them: either you relinquish your property or pay over the odds to save it.

Regrettably, I cannot change what has transpired. However, I draw on the lessons from what happened and what I have learned in detecting predatory lenders. Thus, I see myself having a duty to pass on my knowledge to others, offering insight into avoiding being prey to a predatory lender, which brings me to write this booklet.

In terms of content, I will share the tell-tale signs of predatory lenders, the unfair tactics they use to keep you hostage, and the perfected plays they use to run out the clock. Lending pirates wield the best weapon: TIME. In addition, I will share the seemingly harmless steps that you should avoid taking at all costs, and I will provide possible solutions on how to save yourself and your company should you find yourself a victim.

## 01

### Identify

Have I been targeted?  
What are the red flags?

## 02

### Educate Yourself

They lie and deceive.  
How do they do it?

## 03

### Fraudulent Forced Forbearance

Understanding predators' schemes.

## 04

### Rescue Operation

Knowledge is power. Arm yourself:  
know their tactics to get off the hook.

# 01 Identify

## Have I been targeted? What are the Red Flags?

When a predatory lender sets their sights on you, not only are they seeking to buy your loan for its current interest, but they are also there to inflict maximum damage. How do you know that you have been targeted? This chapter will look at some of the red flags and signs that you should look out for.

### → SIGN 1

If, without warning, your current lender sends you a letter declaring that your loan is in default and you then receive a subsequent letter telling you it has been sold to a new lender, this is NOT a coincidence. This is almost certainly a pre-planned attack.

This is precisely what happened to me when I fell victim during the end stages of a construction project. I had taken out a loan from Centennial Bank and had had no problems or concerns. One day, I received a letter from the bank informing me that I had defaulted on my loan. The letter explained that I had missed a deadline and that I should have sent them a quarterly financial report. This practice is highly unusual. When a borrower has maintained a good relationship with a lender, focusing on technicalities is not the norm. The ethical lender would have notified the lender of the missing report and would have likely provided notification prior

to the deadline. At this point, the construction project was almost complete. I had already negotiated with a bridge lender to remove the more expensive construction loan in favor of a cheaper bridge loan since the building was almost complete. Therefore, this sudden notice came as a surprise.

If Centennial Bank had operated like the reasonable and understanding bank, as they presented themselves to be, they would not have let me go into default. Instead, they would have sent me a written reminder first to have ample time to submit the relevant statements. Along with this reminder, a good

bank would have included a warning about what would happen if I failed to send the documents. A reliable lender, which I learned that they were not, will always have your best interests at heart; they would not simply pull the rug out from under you without so much as a warning.

But, as I'm sure you can deduce, no reminder or warning was issued. It was only after the event that I discovered they had already been in talks with Madison Realty Capital, who, without my knowledge, had offered to buy off the loan should Centennial put me in default. In other words, despite knowing that the project was almost complete and worth much more than the loan owed, Centennial was complicit in a conspiracy to squeeze out more money than they would have ordinarily by just collecting the agreed interest rate.

The next part of the saga was a notification informing me that the loan had been transferred to Madison. At the time, I didn't stop to consider that these people could put me through what they would go on to do. All I knew was that Madison had offered to help me secure a new loan; they would give me a

forbearance agreement so that I could have a reduction on the 24% interest on penalties. This seemingly benevolent act led me to assume that things were not as bad as they seemed. I imagined that there was a good chance that everything would get back on track soon. But that was deceptive.

In further chapters of this book, I will detail the devastating tactics they used to keep me hostage while they continued to drain my interest account. However, I'll tell you about the figures involved and the shocking losses I endured to conclude this example. My Centennial loan was worth \$21.8 million when they traded me to the Madison (Realty Capital) Pirates. However, when I finally received the payoff amount from Madison 5 months later, a penalty was added that amounted to \$2,325,631. Think about this for a moment: the site was shut down; I was unable to work but I remained hopeful that this would be resolved. Yet, I found myself in a position where I still couldn't pay off my loan because the number kept growing faster than I could raise the additional funds needed. Imagine being trapped in a downward spiral with no means of escape.

### → SIGN 2

If you are in negotiations with your current lender for an extension on your loan and you receive notice that they have decided not to give you the extension, be wary of what might happen next. If you are notified that your loan has been sold to a new lender following your request, they are not here to help you. Instead, it is all part of their corroboration to extort you.

Let’s look at another, unfortunately, real-life experience.

The situation: I had taken out a loan with Investors Bank to help me fund a construction project. The building had just been completed, and the units were already being rented out. All good, you would think? Well, instead of paying off the loan with a temporary bridge loan, I thought about requesting an extension to the loan for up to three months. This would have given me plenty of time to fully rent the building before seeking a permanent, cheaper loan.

What I didn’t know, however, was that the Madison vultures were already circling. Within a few days of requesting an extension,

I noticed that Investors Bank would disagree, even though this was what they had offered initially. Instead, I discovered that they had already sold me out to the Madison Pirates.

Subsequent chapters will go into all the bait & switch strategies and other vicious tactics they used to keep me hoping and guessing, which resulted in additional millions of dollars in damage. However, the point of this example is, again, summarized by figures. When Investors Bank traded me to the Madison Pirates, my loan was \$17.4 million. Six months later, the penalty I had to pay Madison for their ‘good deed’ of buying my loan was a whopping \$1,645,710. This is all thanks to Investors Bank, who threw me to the dogs.

A walkthrough might be a reasonable request from a lender who wants to see updates of what you are doing with the money you borrowed from them, as they might want some assurance that you still can pay it back. However, there is absolutely no reason for another lender to attend a walkthrough since they have no investment or interest in your business.

The only probable reason is that the two lenders may already be discussing transferring your loan from one to the other without you knowing anything about it. The second lender is likely assessing the progress of your project to see if it will be profitable for them to take over your loan.

While this kind of thinking may seem pessimistic, it is always better to be cautious from the beginning rather than sorry in the months and years that follow.

**→ SIGN 3**

If your current lender requests a walkthrough at your construction site and you notice they invite another lender to join the walkthrough, consider yourself a target and soon-to-be victim. You might still be able to save yourself if you act fast.

**→ SIGN 4**

If your current lender sends you a notice that your construction loan has been sold to another lender.

You haven’t received a default notice from your current lender. However, your loan was sold to another lender who is now in charge of your loan and funding. You need to have your attorney request a good standing letter with the new bank immediately. If they bought the loan, they have already reviewed everything of your original loan documents and all funding & engineer reports. If they inform you that they need time to review everything to issue a good standing letter, then you know that they bought this loan to take way more than just the interest payments. You need to keep requesting these letters monthly as you don’t want to find out later that you were months in default. If they start requesting more documents from you at this point, they

are here to hurt you. If they start looking for excuses to slow your funding flow from what you have been accustomed with the pervious lender, you need to find a new lender immediately.

I had a similar experience when Madison purchased my construction loan at the last few months of completing my project. I wasn’t in default. They kept funding however at a much slower pace. They never sent me a default letter. However, when I requested a payoff letter, they notified me that I was in default for the last 8 months from when Madison purchased the loan, adding millions in penalties to the payoff.



# 02 Educate Yourself

They lie and deceive.  
How do they do it?

In this chapter, we’ll discover how to sniff out the covert tactics that predatory lenders use that keep you hoping for an amicable solution. We will also look at the bait and switch tactics that these lenders implement so effectively. Knowing these deception points is key to securing stability and keeping these predators from screaming “checkmate.”

Their convoluted art of lies and deceit aims to keep you guessing, hoping, and waiting. In a sense, it keeps you off balance while they reel you in. For instance, if they approach you offering a forbearance agreement for interest reduction, it’s easy to presume this is a good thing. But this is far from the truth. Unfortunately, this is just one of the many tricks they will tell you to keep you firmly in their clutches.

## → DECEPTION 1:

### The Forbearance Agreement and a Reduced Rate

The lender will arrange your default and buy your loan. After this, they’ll have the audacity to inform you that they will offer you forbearance and reduce the default rate if you stay with them. Forbearance sounds good. A reduced rate sounds even better. But of course, it sounds good because you want it to sound good. You are desperate for a way out of a bad situation they created, and you will grab at anything that has some semblance to a solution.

The idea of a reduction sounds very convincing. You might wonder, ‘perhaps these predators might not be as bad as I thought?’ But that’s just exactly what they want you to think. The truth is that the reduction is only a

decoy. Sure, they will reduce the rate, but they will also delay the forbearance closing while collecting severe interest from you. Technically speaking, they compensate for the slight reduction by dragging the process out for another few months to manage the additional interest this way.

For example, suppose they offered you a forbearance to reduce the penalty interest by \$1 million. This looks like a good deal, right? And it would make sense to stay with the lender. However, now is when they will start to use delay tactics so that this closing will take 3 months or more. In the meantime, they end up collecting \$1.2M.

As you can see, the forbearance will end up costing you more! Suddenly, when they are ready to close the forbearance loan, and you come to realize that the interest fee is still too high. You know you don’t have enough funds to cover your construction since most of the loan will cover the forbearance interest.

As a result, they now offer you more funds in

## → DECEPTION 2

### The Lawyer Referral

Finally, after all the delays, you’re a mere two weeks from your time of the essence closing. The lender is ready to close. They show urgency for your closing. The lender will suddenly come to you with a lawyer referral to help you:

“Who will be your attorney for this closing? You need to move very fast. I’ll arrange for you to have an attorney who is already familiar with our loan agreements. I’ll send an intro email letting them know that you’re using our suggested attorney. Just send him all the documents, and you’ll be able to close in seven business days.”

Wow, suddenly, he wants to help you beat the time! He’s going to connect you with a new attorney that you’ve never heard of before. Since time is everything, you take them up on the offer and hire their recommended lawyer. The attorney turns out to be very fast. He keeps forwarding emails from the lender’s attorney requesting document after document, and you think you’re in good hands. All you want is to close as fast you can and move on. But if you ask a question regarding the loan terms, he will say, “You’re

the form of a UCC - Mezz loan where you are forced to pledge your company shares. In other words, they use the word forbearance, which sounds friendly and generous and helpful, but it’s truly just a tactic to keep you hooked on a string of hope. And for this, you will have to pay dearly in the end. We will explain the forbearance scam in more detail in Chapter 3.

in talks with the lender, so you should discuss it with him.” Of course, that’s all he’s going to say about it because you have essentially hired an attorney that works for the lender.

Unfortunately, this had happened to me, and looking back at it now, I find it utterly incomprehensible that they were able to convince me that using their suggested attorney would be a benefit for me. But when you’re stuck in a hole, and you’re terrified of what is lurking in the dark, and someone offers you a lifeline, you don’t ask who it is that lowered the rope. Instead, you grab onto it with both hands and climb out as fast as possible. They will wait until the very last moment before you trigger many other problems. In my case, time was of the essence, so my only focus was on how fast I can get funding. What was necessary at the time was that the closing needed to happen quickly; the identity of the closing attorney didn’t matter. Only later, when things start to unravel, do you look back and start wondering who, what, why, etc. Yet, by then, it was too late, and I had paid a hefty price for that.

→ DECEPTION 3

The Loan Upsize

The predatory lenders who have just consumed your loan will want to know every possible detail about your project and, more importantly, your budget. They want to know all your information and your plans, e.g., how you will exit the loan when the project is completed, whether you will rent or sell, and so on. They will inform you that they are looking to upsize the loan for you as a helpful gesture on their part. But to do this, they will need all sorts of documentation about your project and your finances as soon as possible.

Again, predators don’t want to help you. They simply want to see how much there is still left that they can squeeze out from you. They want to know how much interest and penalties this project can support. What’s more, whenever a lender says they need things ‘as soon as possible,’ they could be preying on the fact that haste can make us act without due consideration. If you want to have a chance of surviving this ordeal, you should never send a predatory lender anything.

→ DECEPTION 4

The Bait & Switch

This is probably the most vicious tactic of predatory lenders and one of the most frequently used — they will use a loan as bait.

When you use a regular, regulated lender, there are guidelines that they need to follow. Closing takes a considerable amount of time, usually 90 days on average. However, the predators don’t abide by guidelines as they aren’t interested in all details. Instead, they are just there to maximize their takings and squeeze out the most money they possibly can. This means they can close in just two weeks or even less. Therefore, they have a considerable advantage.

For example, Madison offered me an upsized loan to pay off the current default loan that they had just bought. Since I have 90 days to closing, I have time to approach a lot of different banks. But Madison makes a very

nice offer and emails me Sources and Uses showing all the payoff amounts and where the funding will go. I liked the loan terms because the numbers made sense to me.

So, moving forward, the delay tactics start to kick in. I ask them to send me the full-term sheet and loan documents. Yet, even at this point, it had already become a chase. If I need something from them, it’s always tomorrow, next week and so forth. They say things like, “We are very busy now, but we will get to you. You know we can close fast, so we have plenty of time.” When we got to within 5 weeks of closing, they sent me an updated Sources and Uses as they had continued to charge on the existing loan’s default interest. The cost to pay off is a few million dollars higher than what was on the original sheet. Only now, I’m trapped; it’s too late to find another lender.

In conclusion, I moved forward with their loan based on the original deal sheet they sent me, but they changed it further down the line, which meant it was then too late for me to find an alternative as any regular bank

would take at least 60 days and up to 90 days to close. In other words, while their agreement with me was violated by them, changing terms midway, I was trapped because I needed their loan quickly.

→ DECEPTION 5

The Last-Minute Documents

These predatory lenders already have all the templates for their iron-clad documents in their arsenal. However, they hand documents over to you with only a few days for you to review them - and there are so many of them. The day before closing, they bombard you with even more documents, some of which are altered versions of the ones you already read. This gives you very little chance to review them all thoroughly or try to have any changes put through.

Of course, common sense dictates that if you don’t like the documents, then don’t take the

loan. However, with all their other tactics already in place, the loan is made at the last possible day you can close on your deal. By forgoing the loan at the last minute with no alternative, you will lose your deposit as well as any money already invested. Given these circumstances, most borrowers will move forward with the closing, thinking this is the lesser of the two evils. That, of course, is wrong. If you can’t have the documents weeks in advance or at least all the templates, they are not legitimate lenders. They intend to take more from you than just the interest payments.

→ DECEPTION 6

The Blank Signature Pages

Under the pretense of closing quickly, they will ask you to sign signature pages, saying that they will attach these pages to the full documents. Of course, this is just a ruse to get your signature so that they can attach it to any document they wish. The truth is that they don’t want you to have time to see their documents lest you detect their perception. This is clearly illegal, but they don’t care.

Three weeks before the closing, I received an email from the lender attorneys with these instructions: “Please have PDFs of the executed signature pages scanned and emailed to us through this email chain, and the originals sent to the following address.”

It contained over 100 blank signature pages. (Would you send anyone signed, blank checks?) Now that he has everything, at closing, he just attaches the signatures to the documents he chooses. I only got to see the entire binder package a few weeks after the closing.

If you want to save yourself, never sign signature pages unless you see them in the complete lender package. If these are legitimate lenders, they will give you enough time to review all documents thoroughly before you sign anything.

→ DECEPTION 7

The Blame Game

Things are looking good initially, and you think you have a good deal with the lender. They ask you how much time you have till closing, and you tell them you have four months. They reply confidently that this is more than enough time since they move quickly and only need two weeks. With this, you feel confident that you are in good hands with this lender. But then, the days go by, and no progress is made; time is ticking, and you are worried. As explained before, this is precisely what they had planned to do all along; they need to run out the clock so

that your options run out as well. Your frustration dares you to ask with urgency, what is taking so long? They respond immediately that you are to blame because you didn't provide proper documentation. Therefore, everything is delayed.

For example, let me tell you what happened when Madison purchased my existing loan and offered help with a loan upside. I didn't know at the time, but the only reason they did this was to get me to give them all documentation willingly so that they could know critical information like the value of the project and whether it would be a rental project or a condo project. Of course, this value matters to them; they need to know how much they can squeeze from the project. They requested backup comparable for each scenario, and I immediately sent them all the

documents they asked for. After 5 months of their tactical delays, I finally sent Madison an email saying, "It's been five months, and I still haven't received the upside you promised, and instead, you have delayed my project funding. I would like to exit, so can you send me my payoff, please?" As I'm sure you know, they did not send me my payoff letter, and I could not exit with peace. Instead, the Blame Game started. The lender replied and told me that I am the one to blame since I'm unclear about whether I want to do a rental or a condo. Because of this confusion,

there are delays. He finishes his email by saying, "Unless you can come up with a way to fund the additional costs and a business plan that you are committed to, it is very challenging to underwrite your plan here. I'm happy to get on a call to discuss further." – Josh

Firstly, he blames me for the months of his delay. Josh, on the other hand, is playing a saint; he is always here to help.

So, he's happy to get on a call and discuss further. I didn't ask for help, or their deceitful upside at this point. I requested a payoff. So why are they responding that it's challenging to underwrite? I don't want them to underwrite — I want to pay them off and be free. But no, Josh won't let you go.

CAUSE OF DELAY

Your frustration dares you to ask with urgency, what is taking so long? They respond immediately that you are to blame because you didn't provide proper documentation. Therefore, everything is delayed.

→ DECEPTION 8

Ignoring Payoff Requests

So how long do you think he held me hostage and kept putting off the sending of my payoff letter? Madison charged me an incredible \$200,000 per week, so naturally, Josh wants to hold on and manipulate for as many weeks as possible. It's hard to believe how they did it, but the Madison Pirates held me hostage for a total of 10 weeks.

→ DECEPTION 10

Fraudulent Default

To prevent you from exiting their loan, they need to place on you a significant penalty. With this, refinancing the existing loan to pay it off coupled with the insane penalties is out of the question. First, these pirates hit you with Fraudulent Default. This means that they will make up some nonsense and backdate the default as far back as possible. By now, your new lender notifies you that their loan won't suffice to cover the millions of dollars that you have accumulated in additional penalties. After I lost my exit loan, I was forced to wait a whole month.

→ DECEPTION 9

Backdating Defaults

After 10 weeks, the payoff letter finally arrived, but it came with a surprise. There was a nice letter attached notifying me that I have been already in default for 8 months, and because of this, they added another \$6 million to my payoff. I was gobsmacked. I had been in contact almost daily; they funded the project. For 10 long weeks, I had waited for the payoff, and it was now that they decided to tell me that I was in default all the time, for which they charged me 24%.

This equated to more than \$800,000. After waiting, I received a correction letter, which stated that the default in the previous letter was incorrect. Instead of backdating eight months, it will only be for four months as there wasn't default at the time. At the time of the default correction, I have already lost my loan. Now another month has passed with the 24% running, and I must try and restart my exit loan, which will take another 60 days. So, I'm back with the \$6 million in penalties that the new lender won't cover. This is called extortion in other circles.



## → DECEPTION 1.1.

### Delay Tactics

As masters of procrastination, these lending sharks will skirt their responsibilities and dodge the issue in unimaginable ways. Predatory lenders have mastered the dark art of leveraging their infamous delay tactics, leaving borrowers stuck in a confusing limbo.

Delay tactics, it would seem, are the most innocent tactic. Yet, it is also one of the most effective. I'm always shocked when I look back at communications and texts with lenders to see how easily they could collect an incredible amount of time on their side - and we all know that time is money for them!



# Legit Lenders Give Prompt Service

Any decent lender will always make time with you to discuss any concerns you have. Over the 20 years I have spent dealing with loans, I have never had a bank that didn't take my call the same day unless they were closed. And even then, there would always be someone else available to assist. It was always done with utmost urgency if I asked for paperwork or any documentation, especially a payoff amount.

However, for predatory lenders, their job isn't just to service a loan. Their primary focus, or what they have been programmed to do, is to figure out how to drain as much money as possible from the borrower. The first and easiest tactic is DELAY. The more professional predators will accomplish this without making it seem like there is a delay at all. Only later, when you find yourself trapped, will you realize that you had been mosquitoed: that is to say, you had been bitten and robbed of blood, without even knowing it. You'll discover it after a while when that metaphorical red bump begins to itch. So too is the art of DELAY. The hardest part looking back is realizing that you have been robbed slowly without knowing it, and now you come to find yourself in the Red, and it hurts tremendously.

Over the years, when I was working with lenders regarding funding for work completed, there were rarely any issues. Everything was all pretty routine. You send in the required paperwork, they come to do an inspection, they send you the paperwork to sign, and a day or two later, they give you the funding. With a legitimate and reliable lender, you never have to beg for funds. You build, then get paid, so you move to the next floor and complete the project. It is different with a predatory lender who buys your loan right in the middle of an ongoing project. They are not there to help you finish at all - quite the opposite. Predatory lenders are out to make every possible dollar and look for any possibility to put you in default. This is just what Madison did every step of the way when I requested funds.



# 03 Fraudulent Forced Forbearance

## Understanding predators’ schemes.

### THE FORBEARANCE AGREEMENT

Let’s first understand the so-called forbearance agreement. It’s an agreement used when there is a disagreement with a lender that has charged additional interest or penalties. As a form of compromise between the two parties they will agree to reduce the added fees & continue the loan as originated. However, Predators have developed this Compromise-Agreement into a Fraudulent ART that will FORCE you into this Forbearance with dire consequences. Hence the term FRAUDULENT FORCED FORBEARANCE. The ploy starts with an offer to show good faith and willingness to reduce

the default rate from 24% to about 15%. This sounds magnanimous of them but what it means is that for the entire time that they dragged you around during construction and the entire time they held you hostage after they put you in default, they will now be collecting 15% and you are now fully agreeing to this. In return for them showing some mercy, they will push you to the point where you must allow them to record a Mezz loan against your company shares so they can file a UCC. You are forced to agree to the blatant theft against you.

### THE MEZZANINE LOAN

Let’s understand what a UCC is, otherwise known as a Mezz loan or a mezzanine loan. It’s usually a smaller loan against your ownership and if you don’t pay it back, the lender can easily take over the control of your company. For example, if you have a \$10 million loan recorded against the property they will add a small \$100,000 mezzanine loan against your company ownership, not on the property. Instead of having to foreclose on the property which can take 2 years, with the Mezz loan all they must do, is notify you that

in 30- days they will auction your company ownership to the public for \$100,000, which means that they will now take ownership of both your entire company and your property worth 20mil as well. Why? Because, once they own your company, they now own the Deed to the property. You can yell and scream but to whom? The predators? You’re just ignored. Courts rarely get involved to stop a UCC sale as this has nothing to do with the property.



To make sure that they are iron-clad and that you have no way of redeeming your company shares, the predators will add two important conditions in the documents that you will sign:

1. You are not allowed to pay off the small Mezz-UCC loan unless you have first paid off all the existing property loans, including the millions that you have racked up in penalties that are packaged in the forced Forbearance loan, including the newly added 24% that keeps accruing daily.
2. You are the only person that can’t bid at the auction where they are selling your company.

### THE FIRST ACT OF FRAUD

#### STEP 1 SLOW & COMPLICATE

When Madison snatched my loan a few months before completing the construction, the funding requests turned into a nightmare. The first funding came 8 weeks late. This was the first act of fraud and the first in a long series of delays. The problem is that once you lose the momentum in construction, it takes much longer to restart, so you can just imagine the pain this has caused. Not only were they draining the interest reserve account when the project was at a standstill, but they also dramatically slowed down the project after that.

When subcontractors realize that you have issues obtaining bank funding, they also start slowing down and begin requesting more funds upfront. Every funding after that was a begging game, “Please fund me so I can finish

up.” The responses were short and confusing: “Sure,” “I’m on it,” or “Yes, will do, call you when I land.” By now, I had already learned to decipher their texts: “Call you when I land” means NO. Even when they texted me that they were “wiring to the attorney & then he will wire to you,” it still took seven days for me to receive the funds. That’s a prime example of another one of their delaying tactics in action.

To understand how much of a loss those seven days were equivalent to, Madison billed me more than \$200,000 for those 7 days. After many months of dealing with these shenanigans, this was the final straw. Even after receiving the text that they were supposedly already wiring it, they still managed to delay it for an entire week.

STEP 2 DELAY PAYOFF

Subsequently, I requested a payoff to move to a different lender, but I did not receive it until ten weeks later. All this time, they were holding me hostage and billing insane interest. Then, when I finally received the letter, it came with another surprise. For the first time, their lawyer informed me that I had been in default for the last 8 months. So now, even though they kept funding, albeit at a crawling pace, they decided to put me in default retroactively so they could go back and charge me 24% and add \$6 million to the payoff. Of course, they already know that it becomes tough for you to pay them off at an inflated price. Over the next few weeks, you scramble to find a way out, but you have very few options. Either you sell the building quickly in the current uncompleted condition (meaning you will have to sell at a significant loss compared to if you were to sell it completed), or you try to get a much larger loan to incorporate the current loan and all the added penalties, which proves to be even more complicated. Even worse, as the weeks go by, the predatory lenders keep inflating the payoff amount, thus making it virtually impossible to refinance and pay off. After many weeks or sometimes even months, you realize that you are completely stuck.

STEP 3 WAIT FOR THE VICTIM TO SURRENDER

These malicious predators will keep reaching out to you from time to time - a friendly gesture, a quick text, or an occasional phone call, just to “check” how you are doing. They want to know if you are making progress or have a term sheet with another bank. They are patiently waiting for you to surrender. At some point, you will have no choice but to beg them for mercy because you are just so hopelessly stuck. This is precisely what they have been waiting to hear.

STEP 4 PIRATES ARE HERE TO HELP

They will very gladly swoop in with a practical option, “Oh sure, we have another fund that we can give you. It’s a Mezz Loan to cover all the added costs. We can move fast with this and get you back up and running in no time. You will just need to pledge all your shares in the company.” Looking back, it all sounds so ridiculous, but at this point, you are so distraught and bamboozled that you just shake your head and do what you’re told. Now, they finally have you exactly where they wanted you initially when they snatched your loan. Between all the blank documents that they had you sign; they will slip in a waiver stating that you release them from all the heinous acts that they have perpetrated on you.

STEP 5 PREDATOR IN CONTROL

Their Trap to Own scheme will make it challenging even at the project completion to pay them off after accepting the Forced Forbearance. They will use every tactic available to keep slowing you down and encourage you to finish the project. You are nothing more than a puppet completing their building, to the predators who now control your shares. They will do everything they can to keep your hopes up that there will be some light at the end of the tunnel. Even as you’re passing the maturity of the loan, they will not call you in default. Even when you request a payoff letter, they will not add the default interest. They will even hint to you that you might get a discount. However, all that changes the minute the building receives the certificate of completion. You immediately receive notice that you are in default; now, they are suddenly calculating the default interest from all the way back, which makes it simply impossible at this point to pay back.



STEP 6 CHECKMATE: UCC AUCTION

Now, they notify you that in 30 days, they are auctioning all your company shares on the market. The strategy is perfectly designed so that only they can buy it. You see email blasts going out to everyone with pictures of your building being auctioned off for a mere \$3 million when you know the current value is at \$65 million. Everyone has a right to bid on it except you. Their documents are designed so you can’t buy them on auction yourself, nor can you redeem your shares unless you first pay off all underlying loans with the insane penalties added.

After 30 days, your entire building and company and just about everything you have worked for now belong to the lending pirates. You are free to go home, especially since courts will rarely intervene to stop a UCC sale. The only possible option to prevent the 30-day UCC sale is to file for bankruptcy, which is a complicated process. However, this

is your only option if you want to stop the clock and give yourself some breathing space to find a better loan or the right buyer. Inevitably, you will still suffer a massive loss, but you might just save something too. Most real estate professionals won’t opt for bankruptcy since this will tarnish them and hinder their prospects. While the developers watch from the sidelines as their building and company are taken from them, all they have left for themselves is a valuable lesson that they will never forget. They will move forward, hoping that this scenario will never be repeated.

**From the minute they engaged in buying your loan, they already calculated all the steps necessary to take your project easily by using the Trap to Own, Fraudulent Forced Forbearance to take your shares via the UCC auction sale in only 30-days.**



# 04Rescue Operation

**Knowledge is power. Arm yourself: know their tactics to get off the hook.**

Your best defense against predators is knowledge. Once you understand the creative steps used by lending pirates, you’ll be able to distinguish between fact and fiction. Why is this vital to your survival? Because if you know how bitter this will end, you will do whatever is necessary to get out as fast as possible, no matter the cost.

For example, suppose you need to spend \$100,000 extra to pay off the current loan with another lender. In that case, you will hesitate, and that’s natural - especially if you’re being conned that there might be a good solution with the current predator. However, if you are positive that you will lose \$10 million in the end, wouldn’t you be happy to take the 100k loss now to save the \$10m down the road?

First and foremost, you need to recognize and accept quickly that you are a victim. Why? Because if you feel that this is just part of the process, you will simply keep trying to work it out or figure out a solution on how to deal with this new encroaching lender. All they want is that you be busy with them. That is how they get you, your money, and all your assets. The truth is that there is no possible solution. The sooner you realize this, the better your chances of getting out of the situation with minimal damage.

## CAUTION: COMMUNICATING WITH PREDATORY LENDERS

One of the things that you will notice immediately with these lenders is that they love to communicate with you directly. The conference calls and the face-to-face meetings are their favorite playing field. It is where they have a home-court advantage. In

these direct communications, they can play with your emotions, nodding their heads compassionately as they gauge your reactions. They can also deliver their spiels with much more conviction and therefore get you to believe once again that everything will be alright if you heed their advice on what to do next. They play the game, they’ve been there before, and they know their lines inside out. You’re likely a newcomer with a bit part and bars that you’ve not had time to rehearse. They don’t want to deal with any of your proxies or representatives.

Of course, nothing could be more different from what is happening. On the façade, they seem to be negotiating reasonably with you; they’re incredibly calm and collected for the meeting duration. Behind their peaceful expressions, though, they are holding the fishing line and reeling you in slowly. As your blood starts to boil, they just keep talking

calmly as if you were crazy and unhinged for not understanding that they are deserving of the millions in penalties they have just bestowed on you. They are not pulling you in quite so hard. They are evoking your response to do the pulling. On the occasions that I have had the misfortune of dealing with such lenders, after informing me that I now must pay millions in penalties, they just say calmly, “Why are you getting so emotional? This is just business; it’s not personal.” And to make matters worse, after informing you of the insane price that you will have to pay to redeem yourself, they shoot back with this perfect line, “If you agree to these new terms and conditions, we will give you a 10% discount. After all, we are here to help you.” When you finish a call with them, you are left reeling. You feel disillusioned, and you can’t figure out whether you or they are disconnected from reality. They try to calm you as a person while they rip you off royally.

## THE FACE-TO-FACE MEETING

To clarify matters, you decide to meet with them in person, which is a very logical and appropriate move for a typical person. But of course, things are different when you’re dealing with predatory lenders who have no regard whatsoever for logic or propriety, nor do they subscribe to codes of ethics and morals. Hoping for a reasonable face-to-face discussion is relatively futile.

So here is how it typically goes. You request a meeting, and they will set it for the following week. This gives them one more week to make another collection, which, as you now know, can be equivalent to a considerable sum of money. In my case, in just one week, they collected over \$200,000. Finally, you arrive at the long-awaited

Today’s pirates no longer wear an eye patch and walk around with a wooden leg. They dress in nice suits & have beautiful offices.

meeting, anxious and hopeful that you can convince them to have some sympathy. They put you in this big, beautiful conference room and tell you to wait. After letting you anxiously sit for a while, they come in with the biggest smiles and shake your hand cheerfully, thanking you profusely for coming. Your mood changes and you feel hopeful that some good will come out of this meeting. However, this feeling does not last long. They start by telling you how they appreciate all the hard work you have put into this project; however, they have obligations to their funds and investors.

Then they will launch into a practiced speech that goes something like this, “This is the business that we’re in. There’s nothing much we can do for you other than give you a small discount. However, we are currently raising another round of funds where we will be able to offer better loans, and we will make it up to you on the next project.”

With that, they just get up and leave, leaving you sitting there in this fancy office, wholly bewildered about what had just happened. As you come to your senses, you quickly realize

that you are paying for this magnificent office ten times over with nothing to show in return. If you think you are in the wrong place by this time, you better brace yourself because things are about to get much worse.

## MODERN-DAY PIRATES

Forget swashbuckling and X marks the spot; this is how pirates operate in modern times.

They scout for a victim, and once they set their sights on you, they will ambush you by buying your loan and then besiege you by reducing and eliminating your funding. When you beg for mercy, they will force you to show them where all the treasure lies, and after all of this, they will still make you walk the plank!



What are your chances of surviving when a pirate has ambushed and bought your loan? Sadly, there aren't any simple solutions. It will be a great advantage if you are knowledgeable in the Art of the Pirates. Even so, it will be complicated to get out because everything they do is designed to pull you in deeper. Today's pirates no longer wear an eye patch and walk around with a wooden leg, carrying a sign. They dress in nice suits & have beautiful offices around the country. They are looked up to and are featured in all the real estate blogs as they originate loan after loan. Brokers, closing attorneys, and others crowd around them, hoping to get a bone tossed in their direction along the way.

**PROMPT ACTION IS CRUCIAL**

Your only natural defense is to see them as the pirates they are. If you knew from the start that you would end up suffering to finish a building for them, yet you would still need to walk the plank at the end, you would certainly have done things differently. Then you need to act the second you are notified that your ship has been pirated.

You cannot wait a day, no matter what they offer. As soon as you realize that you are a victim, you need to hire a litigator attorney immediately to review your original loan documents. At the same time, don't waste a single second and switch to a different lender as soon as possible, no matter the price.

Keep in mind that whatever this immediate transition will cost you, it will be but a fraction of the collateral damage you will suffer if you don't adhere to the advice of those that have already suffered before you. Don't think that you will be different and have a better relationship with the lender. Even if

you think you are friends with them or if your broker has good connections, in the end, these pirates only have ONE friend, and that is THEMSELVES! To them, it's all about the money, and they don't even see you or hear you. Your blood will boil furiously at this outrageous theft, but they will remain cool, calm, and collected throughout the process. From the moment they notice you, they are already focused on the big prize. They have entire legal firms overlooking their documents and soon-to-be assets and finding every possible legal loophole that they can use to choke you until you take the UCC bait.

**JUST SAY NO**

**If you received a notification that you are in default and the loan was sold to a known predator who offers to upsize your loan or grant a forbearance agreement, say no.**

**REFUSE ALL OFFERS & AGREEMENTS**

If you received a notification from your current lender that you are in default and that the loan was sold to a known predator who offers to upsize your loan or grant a forbearance agreement, say no. Under no circumstances should you entertain either of these with the predator lender who has just ambushed you. I guarantee you; it will not end well. They are not here to give loans. They ambushed you to take it all. In the world of

lending, they are way better and wiser than you. They are well-financed and highly organized, and you don't stand a chance.

So, the first thing you should do is hire a litigator attorney immediately. You need to request the payoff, which is suitable for 60 to 90 days. After you receive the payoff, you need to file a lawsuit against the Predatory Lending practices. This needs to be done as it will help you immensely on a better settlement payoff when you refinance with a new lender. Then, you must secure yourself a deal with a new lender immediately.





One thing you must understand about predatory lenders is that they aren't afraid of lawsuits. As they explained to me many times, everyone they do this to, threatens them with a case, but very few follow through. Those that do sue eventually agree to a settlement and drop the lawsuit. This is the reason they can continue their streak of havoc – all their victims simply run and hide. Nobody wants to or can stand up for themselves. But with more and more victims standing up and filing lawsuits against the lending piracy, it will hopefully make a difference, and the fraudulent tactics will no longer work. Litigation is expensive. It takes time and money. It involves lots of aggravation. But nothing else can stop these pirates.

### KNOW WHO TO TRUST

As I mentioned before, they will do everything they can to keep you feeling hopeful that things might take a turn for the better. These predatory lenders will get brokers to reach out to you and tell you they will find you a way out. The broker might say something like, "I have a good connection with the lender. I'll get him to reduce it a bit and help you get out." You must not be gullible enough to believe these lines. Ultimately, it's all a ploy to 1) Convince you that there is hope for an amicable way out without having to file a lawsuit; and 2) Gather all intelligence on what you're doing and what you're planning to do.

Some brokers will even go as far as to tell you that, unfortunately, this is the situation. To date, no one has ever beaten Madison. They have too much time, money and lawyers on their side; if you try to fight it, you are apt to fear that you will lose even more.

These predators reached out to my friends in the same industry to encourage me to walk away quietly without making a fuss. One developer told me that Madison informed them that if I allow the transfer of my

company to happen quietly, then Madison will pay a nice consultancy fee for the next year to oversee the project's success during the transfer. When I responded that this is unfortunately already the 4th time that I have fallen victim and that I have realized the only way to fight the bullies is to stand up to them, my developer friend went on a rampage: "You will surely lose against Madison! If you let it go quietly, at least you will have a job by Madison, and they will pay you so you can feed your family!"

### A NO-WIN SITUATION

With a predatory lender, you can't win. It's an unfortunate situation but one that you must accept. Their motive is to choke you, destroy your project, and tarnish your company's reputation. So how do these predators get away with these blatant criminal activities over and over? The answer is that it's all based on a simple calculation. Clearly, they know that it will become very problematic for them if you take them to court and expose their fraud. However, they also know that the court process will take a long time.

Time is not on your side when you are finishing up a project. For the developer, it's a substantial loss of rental income. Constant pressure from your investors and the subcontractors. A stalled site will rack up so many expenses from taxes and local municipality fees and Insurance. Even if you win the case against your predatory lender eventually, the consequential damage will be far more significant than what you can stand to accomplish by fighting the lender. Knowing all this, the predators are out in full force, preparing to inflict maximum damage to all the victims they can lay their hands on, forcing them to accept their fate. I am just wondering whether there is a way to have lawsuits filed by many victims at the same time. It seems that one suit does not scare them. But maybe a rash of them might.

# Closing Remarks

**For close to two decades now I toiled to earn my stripes within the real estate industry. Successfully assembling deals, securing loans, and developing living spaces for families and communities across New York. I had a fair share of real-life lessons to learn from. Just when I thought I've seen it all, I was hit hard in the face by cunning malicious sharks. It happened to me, and it can unfortunately happen to anyone.**

**I hope I was able to shed some light on these distasteful practices perpetuated by individuals who taint the reputation of our entire industry, those of honest bankers and caring lenders. I wish you best of luck in protecting yourself and your 'interests'.**

Sincerely,  
Eli



**Visit [www.MadisonPirates.com](http://www.MadisonPirates.com) where you can join the discussion and connect with likeminded entrepreneurs who've experienced similar horror stories. By sharing our stories with each other we can be on the lookout for danger and have each other's backs.**





HELLO  
LIVING

33 35th Street,  
6th Floor, Suite B-613,  
Brooklyn, NY 11232

Email: [hello@helloliving.com](mailto:hello@helloliving.com)

**FRAUDULENT  
FORCED  
FOREBEARANCE**  
[MadisonPirates.com](http://MadisonPirates.com)