

STATE OF MICHIGAN  
DEPARTMENT OF ATTORNEY GENERAL



P.O. Box 30736  
LANSING, MICHIGAN 48909

DANA NESSEL  
ATTORNEY GENERAL

May 20, 2024

*Via First Class U.S. Mail*

EasyKnock, Inc.  
c/o Jarred Kessler  
111 W. 33<sup>rd</sup> Street Suite 1901  
New York, NY 10120

EasyKnock, Inc.  
c/o Business Filings Incorporated  
40600 Ann Arbor Rd E. Suite 201  
Plymouth, MI 48170

Dear Mr. Kessler:

This letter gives EasyKnock, Inc. notice of intended action under MCL 445.905(2), and directs you to immediately cease and desist from engaging in the unlawful business practices described below.

As background, this Office enforces the Michigan Consumer Protection Act (MCPA), MCL 445.901 *et seq.* Under this Act, the Attorney General may bring injunctive actions to protect the interests of consumers. MCL 445.905. The Attorney General may also conduct formal investigations upon a showing of probable cause to a court through *ex parte* petition. MCL 445.907.

This Office became aware of EasyKnock when the Massachusetts Attorney General announced that EasyKnock had agreed to permanently cease operation of its sale-leaseback business as part of a settlement agreement. EasyKnock's sale-leaseback program was described as an "unfair and deceptive equity-skimming scheme[.]" We have reviewed the Massachusetts Attorney General's various allegations of unfair and deceptive practices in the marketing and administration of this program. We are also aware of the Connecticut Attorney General's investigation into EasyKnock, as well as the many private lawsuits filed against EasyKnock.

Over the past month, this Office has been assembling evidence in support of an *ex parte* petition for civil investigative subpoenas pursuant to MCL 445.907. To this end, we have interviewed several Michigan consumers who entered sale-leaseback transactions with EasyKnock. These interviews have shown that the consumers lack a full understanding of the complex agreement they are entering. This appears to be partly attributable to EasyKnock's misleading marketing that consumers will receive "100% of your home's value without having to move." Many of the consumers we have spoken to reasonably expected that they would be receiving the full market value of their home in cash funding, less amounts needed to pay off mortgages or liens, only to find out later in the process that they would be

receiving substantially less than that from the sale. These financially desperate consumers were not given an understanding that EasyKnock would strip their home equity from them through fees, closing costs, and an increasing monthly rent and repurchase price.

Even to attorneys, these unique agreements are complicated and challenging to decipher. Although the agreements include statements encouraging the consumers to consult an attorney or real estate broker, EasyKnock is well aware it is dealing with a population of consumers having financial barriers to such assistance. Indeed, their financial distress appears to be a foundational aspect of your business model. EasyKnock is holding itself out as helping consumers through financial problems while being able to ultimately keep their homes under agreements making it extremely unlikely any consumer will ever have home ownership restored.

Just as troubling are reports of oral misrepresentations made by EasyKnock representatives to induce consumers to enter the transaction. For instance, we have received an executed affidavit in which the consumer states that you told him prior to closing that he would receive a reduced monthly rental payment for the first 18 months of the lease and that he would not have to repay that amount. Now, EasyKnock is taking the position that the monthly rent deduction, totaling \$13,500, must be repaid as part of the repurchase price. A copy of the affidavit is included as **Attachment 1** for your reference. This consumer states that he was told the transaction would be “like a loan,” and other consumers have reported similar statements. We have also received complaints regarding the administration of the sale-leaseback program, including disputes about the disbursement of repair funds held in escrow and EasyKnock failing to timely make necessary repairs that arise during the lease.

EasyKnock’s conduct implicates several Michigan laws and causes a probability of confusion or misunderstanding as to a consumer’s rights under those laws. Specifically, EasyKnock is confusing consumers into believing the payment of an administrative fee is lawful or justified in these transactions. A business entity is required to be a licensed real estate broker when, for a fee, it sells or buys real estate. See MCL 339.2501(u); *GC Timmis & Co v Guardian Alarm Co*, 468 Mich 416, 427 (2003). For EasyKnock to be imposing a fee as a purported buyer of a home, and not as a real estate broker, is thus both logically and legally confusing to consumers. Further, it is our position that EasyKnock’s sale-leaseback program constitutes a disguised loan with an effective annual interest rate in excess of

Michigan's civil usury statutes.<sup>1</sup> See MCL 438.31; MCL 438.31c(6). We also note that EasyKnock's lease agreements contain an arbitration provision, contrary to Michigan's Truth In Renting Act, which provides that a rental agreement shall not include a provision that "[w]aives or alters a party's right to demand a trial by jury...." MCL 554.633(1)(f).

Based on the above, and additional evidence that will be included with the upcoming petition, the Attorney General has probable cause to believe EasyKnock is engaging in unfair and deceptive trade practices that are prohibited under the MCPA, including but not limited to the following:

- (n) Causing a probability of confusion or of misunderstanding as to the legal rights, obligations, or remedies of a party to a transaction.
- (o) Causing a probability of confusion or of misunderstanding as to the terms or conditions of credit if credit is extended in a transaction.
- (s) Failing to reveal a material fact, the omission of which tends to mislead or deceive the consumer, and which fact could not reasonably be known by the consumer.
- (t) Entering into a consumer transaction in which the consumer waives or purports to waive a right, benefit, or immunity provided by law, unless the waiver is clearly stated and the consumer has specifically consented to it.
- (x) Taking advantage of the consumer's inability reasonably to protect his or her interests by reason of disability, illiteracy, or inability to understand the language of an agreement presented by the other party to the transaction who knows or reasonably should know of the consumer's inability.
- (y) Gross discrepancies between the oral representations of the seller and the written agreement covering the same transaction or failure of the other party to the transaction to provide the promised benefits.

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<sup>1</sup> In applying Michigan's usury statutes, courts look at "the real nature of the transaction," not its form. *Cullins v Magic Mortg, Inc*, 23 Mich App 251, 257 (1970) (quotation marks and citation omitted).

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(bb) Making a representation of fact or statement of fact material to the transaction such that a person reasonably believes the represented or suggested state of affairs to be other than it actually is.

(cc) Failing to reveal facts that are material to the transaction in light of representations of fact made in a positive manner.

[MCL 445.903(1).]

Under the MCPA, this notice gives EasyKnock an opportunity to provide an assurance of voluntary compliance. Should you wish to explore an assurance agreement, please contact us soon to schedule a meeting to be held on, or before, June 3, 2024. You are welcome and encouraged to consult with, and be accompanied by, an attorney for this discussion. You are cautioned against evicting anyone currently under a lease agreement with EasyKnock.

Absent such an agreement, we will file the petition seeking authorization to proceed with the investigation referenced above.

We look forward to your response.

Sincerely,



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