Mortgage Modification and Foreclosure Scams ALERT

Predatory Mortgage Practices

Financially stressed homeowners are often targeted by predatory mortgage scam artists. Using abusive practices, such as collecting illegal advance fees or taking advantage of financially stressed homeowners facing foreclosure, scam artists have damaged the financial security of many Californians.

Help is Available.

Loan Modification and Foreclosure Scams

Homeowners facing foreclosure should beware of these common scams:

✓ **Beware:** Advance Fee Scams – Homeowners looking for mortgage assistance may be asked to pay upfront fees for loan modification services or mortgage forbearance services. Do **NOT** pay anyone advance fees for these services. Contact the Department of Real Estate immedately at 916-227-0770. **Advance fees for loan modifications are NOT legal in California.** In addition, collecting late fees is prohibited while a loan modification application is under review, a denial is being appealed, or a borrower is making timely payments.

✓ **Beware:** Transferring Deed to Third Party – Homeowners have been told that by transferring the deed to their home to a third party they will no longer be responsible for the house payments. This is **NOT** true. In this scam, the third party collects the rent until the house is foreclosed upon, leaving the homeowner without a place to live and little chance of recovering the "rent" paid. **Transferring title does not relieve a borrower from making payments.** Mortgage scam artists often ask for up-front fees to make the deed transfer and promise to rent the house back to the homeowner until the homeowner can afford to buy the house back. If you are facing foreclosure, investigate payment options with your mortgage servicer and do **NOT** sign your property away.

✓ **Beware:** Think Before you Default – Homeowners have been told by scam artists to not pay their mortgage in order to get a loan modification. While there is no right to a loan modification, **the terms and standards for a loan modification are always determined by the mortgage loan servicer - no one else**. If you are having difficulty making mortgage payments, you should contact your mortgage servicer directly or contact a HUD-certified counselor (888-995-4673) for help.

The California Department of Corporations and the California Department of Real Estate license and regulate a variety of entities that are involved with the mortgage process. These departments want to educate consumers on current mortgage and foreclosure related scams.

Before hiring anyone to help modify your loan, contact the Department of Real Estate at 877-DRE-4LIC or www.dre.ca.gov

To file a complaint against a mortgage loan modification consultant, contact the Attorney General's Office, Public Inquiry Unit at 1-800-952-5225 or www.oag.ca.gov

To verify the license of someone servicing or negotiating terms of your mortgage loan, contact the Department of Corporations at 866-ASK-CORP or www.corp.ca.gov

Recent Mortgage and Foreclosure Legislation Helping Homeowners

Senate Bill 900 (Leno) and Assembly Bill 278 (Eng) Foreclosure Reduction Act

This legislation builds upon the National Mortgage Settlement negotiated earlier this year with the nation's five largest mortgage loan servicers. Provisions of SB 900 and AB 278 will apply to ALL servicers, precluding them from foreclosing on a homeowner who is in the process of negotiating a mortgage loan modification. The Foreclosure Reduction Act accomplishes four main things:

1. Prohibits "dual tracking" that occurs when a mortgage loan servicer initiates the foreclosure process on a homeowner who is still negotiating a loan modification in good faith with their servicer;

2. Provides a homeowner with a single point of contact to assist them throughout the loan modification process and inform them of alternatives to foreclosure if they do not qualify for a loan modification;

3. Requires mortgage servicers to review competent and reliable evidence to substantiate their right to foreclose; and

4. Creates a remedy for borrowers to seek legal action against their loan servicer for material violation of the provisions of this law that was intentional, reckless or resulted from willful misconduct.

This legislation **does not provide the homeowner with a right to a loan modification or a guarantee that a loan will be modified**. Rather it ensures that a servicer will give full review to a homeowner's application and request for a modification.

Senate Bill 980 (Vargas) Prohibits Advance Fees for Loan Modifications

This legislation extends the prohibition of charging advance fees in connection with performing mortgage loan modifications or loan forbearance services.

Assembly Bill 1950 (Davis) Extends Statute of Limitations on Mortgage and Real Estate Fraud Cases

This legislation extends the statute of limitations related to the prosecution of loan modification scams and the illegal collection of advance fees. Misdemeanor violations of California laws that protect homeowners in the foreclosure and loan modification process are now subject to a three year statute of limitations.

***These bills are effective January 1, 2013**

The California Department of Corporations

WWW.CORP.CA.GOV
866-ASK-CORP

The California Department of Real Estate

WWW.DRE.CA.GOV
877-DRE-4LIC