

DEPARTMENT OF CORPORATIONS*Supporting a Fair & Secure Financial Services Marketplace for all Californians*

Jan Lynn Owen
California Corporations Commissioner

MEDIA RELEASE**For Immediate Release**

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California Agencies Issue Alert on Mortgage Loan Modification Scams

SACRAMENTO, CA (October 12, 2012) – The California Department of Corporations and the California Department of Real Estate jointly issued a Consumer Alert today warning homeowners of mortgage loan modification and home refinancing scams.

Homeowners should be wary of any offer that tries to collect a fee in advance. Such practices are illegal.

“Advance fees for loan modifications have been illegal in California since 2009,” said Corporations Commissioner Jan Lynn Owen. “Anyone trying to charge a homeowner upfront for such a service is violating the law and should be reported.”

Other scams include proposals to sign over your home to a third party to avoid foreclosure and to stop making payments or even default on your mortgage loan as a means to gain negotiating leverage with your bank. Neither of these options will prevent foreclosure and could result in a property owner losing their home even sooner than if the bank were to foreclose.

Governor Edmund G. Brown Jr. recently signed legislation, AB 278 and SB 900, to expand provisions of the National Mortgage Settlement with five major banks to all lenders and mortgage servicers in the state of California. These provisions include a prohibition on dual tracking, requiring a single point of contact for homeowners throughout the modification process, and more thorough disclosure of options to homeowners to avoid foreclosure. The law will go into effect on January 1, 2013.

“With historically low interest rates and continuing economic woes, many homeowners are vulnerable to loan modification scams,” said Department of Real Estate Enforcement Chief Bill Moran. “And while enforcing the law is important, consumer education is the key to avoiding scams.”

Before hiring anyone to help modify a loan, consumers should 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, consumers should contact the Attorney General’s Office, Public Inquiry Unit at (800) 952-5225 or www.oag.ca.gov.

To verify the license of someone servicing or negotiating terms of a mortgage loan, consumers should contact the Department of Corporations at (866) ASK-CORP or www.corp.ca.gov. The Consumer Alert may be viewed at http://www.dbo.ca.gov/Archives/Press/news/2012/LoanModAlert_10-15-12.pdf.

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