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MORTGAGE MODIFICATIONS: DON'T GET SCAMMED!

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In today's difficult economic environment many home owners are facing foreclosure or realize they may soon face extreme financial hardships in the near future. Job layoffs, toxic mortgage loans, and falling home values have combined to create a perfect storm of financial strain on home owners like nothing we've ever experienced in the past.



Homeowners across the nation are desperately reaching out for reliable information and straightforward assistance to cope with financial strains on consumers' budgets. Unfortunately, millions of home owners risk the loss of their homes to foreclosure. The author of this article is a veteran mortgage professional, licensed real estate broker, and mortgage fraud expert witness. The following advice is provided to help educate consumers to make informed decisions in obtaining useful mortgage assistance and to avoid being scammed.

Many "Mortgage Modification" firms are popping up on the internet and in the news these days. These firms are just beginning to catch the attention of state and federal regulators who are investigating and prosecuting scammers. The firms often promise professional assistance to lower your mortgage payments, modify your mortgage, or to save you from foreclosure.

Two common themes are often observed by investigators. First, these companies usually require an upfront or advance fee ranging from \$395.00 to \$995.00 which is collected by unscrupulous and unlicensed firms just looking to make a quick buck. A request for upfront fees should be a red flag for you to carefully consider. Payment of fees to a local real estate attorney provides more protection since these funds are considered "Trust Funds" which require financial accounting. In addition to upfront fees paid to mortgage modification firms, substantial closing fees are also often charged if your loan is modified. The closing fees are steep and can range from \$2,000.00 to \$10,000.00 based on our recent surveys.

Second, these firms sometimes mislead home owners by indicating they have a contract or formal agreement with your lender to work on your modification on your behalf. In reality, only a handful of companies nationwide have any type of formal agreement to assist you. Most lenders, including banks, are required to protect your privacy and will not discuss your financial circumstances with a third party.

In simple terms, a mortgage modification is the agreement by the lender to modify the original terms of your home loan to provide payment relief, lower your interest rate, or defer past due payments. Lenders are under significant pressure from the government to help struggling home owners to stay in their homes and reduce foreclosures. Usually, you can contact your lender's loan servicing or loss mitigation departments directly to file a request yourself. This is generally the best course possible for most home owners. Lenders generally will not ask you for any upfront fees. Keep in mind that lenders are inundated with modification requests so you must be very persistent and willing to contact your lender on a weekly basis. The savings in upfront fees and closing costs are well worth the extra time and effort.

Since the mortgage crisis first began to surface in 2007, this is probably the best time to contact your lender to obtain the financial help you may need. Recent publicity and urging from politicians is forcing lenders to more aggressively process financial assistance for struggling home owners. If you cannot take the time to contact your lender directly, the second best course of action is to contact a local real estate attorney. Law firms are required to place your funds in Trust Accounts for your protection.

Keep in mind that most mortgage modification firms are not properly licensed and do not use Trust Accounts to properly account for your advance fees. In fact, California recently posted an alert on their website warning home owners that mortgage brokers providing mortgage modification services must obtain approval from the licensing board; interestingly only a handful of brokers are approved to collect advance fees! Other states are beginning to quickly adopt formal licensing requirements for modification service providers. It's important to note that many people now offering modifications are the same unqualified and unscrupulous loan officers who pitched sub prime and other toxic mortgage loans just a few years back.

Tips to obtaining a successful mortgage modification and avoid being a mortgage modification scam victim:

1. Contact your lender directly. Be persistent. Don't give up!
2. Hire an experienced local real estate attorney if you cannot get your lender to work out a suitable modification for you.
3. Require written references from modification service providers.
4. Verify proper licensing in your state. If unlicensed, move-on to a firm that is licensed or hire a real estate attorney.
5. Verify modification success rates and make sure this information is in

writing.

6. Contact the local better business bureau. Check for complaints.
7. Avoid paying upfront fees to anyone except an attorney.
8. Don't sign documents or agreements unless you completely understand what you're signing. Never sign over a deed giving up title to your home without first consulting an attorney. Don't use a Power of Attorney.
9. Ask for a written policy regarding refunds or money back guarantees.
10. Watch out for excessive fees. Compare and shop around.

Curt Novy is not an attorney, does not offer legal advice, and does not provide mortgage modification services or referrals to attorneys. Mr. Novy is highly skilled in detecting and reporting complex mortgage fraud transactions.

If you need assistance in saving your home or modifying your home mortgage, it is recommended that homeowners seek independent legal counsel or guidance from a qualified real estate professional.

