



California Senior Legal Hotline/Legal Services of Northern Calif.

444 North 3rd Street #312 ❖ Sacramento, CA 95811

Telephone: (916) 551-2140 ❖ Toll-free: (800) 222-1753

Fax: (916) 551-2197 ❖ www.seniorlegalhotline.org

SENIOR LEGAL FACT SHEET

Mortgage Rescue Scams

As the mortgage crisis has worsened, some of the same folks who made predatory loans – and others – have found a new scam: “foreclosure rescue.” Here are some hints to keep from falling victim.

▶ **NEVER PAY AN UP-FRONT FEE FOR HELP WITH YOUR MORTGAGE**

All too often, homeowners pay thousands of dollars to self-described “loan modification specialists” or “foreclosure consultants” who promise to negotiate with your mortgage servicer. Frequently the service is never delivered, leading to a loss of home as well as the fee, which is never refunded.

California Law: On October 11, 2009 California Civil Code Section 2944.7 was enacted. Under this new law:

- ➔ No person or company can charge up-front fees for negotiating loan modifications or other mortgage-related workouts until the actual service has been completed
- ➔ Attorneys are included in this law. This means that if you paid advance fees to an attorney that were collected *after* October 11, 2009, you are entitled to a refund if the services have not been completed. This is true even if you entered into your agreement before October 11, 2009. Furthermore, an attorney cannot avoid this law by putting collected fees into a trust account or calling them retainers.

▶ **NEVER TRANSFER TITLE OF YOUR HOME TO SAVE YOUR HOME**

Another common scam involves a “foreclosure rescuer” who offers to take title to your home and allow you to rent from him/her, promising to let you “buy back” the property later after having refinanced into a better loan. Never deed your home to one of these “rescuers” because 1) they can evict you; 2) you are still responsible for the mortgage even though you transferred title; and 3) most lenders will not allow even a legitimate buyer to assume your loan.

▶ **REPORT FRAUDULENT ACTIVITY**

Beware of solicitations by mail, phone, e-mail or door-to-door by companies offering loan modification or other “rescue” services, especially if they demand an up-front fee. If you suspect illegal activity, contact any or all of the following:

- ➔ California Department of Justice, 800 952-5225 or <http://ag.ca.gov/loanmod/>
- ➔ Local law enforcement
- ➔ <http://www.PreventLoanScams.org/> where you can fill out this nonprofit’s complaint form that they can forward to your local law enforcement agency

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