

Homeowners Should Think Twice About Paying an Advance Fee for a Loan Modification

With the recent stories on foreclosure scams, it is important for homeowners to understand they may have several options to remedy their situation.

Although circumstances may cause homeowners to believe they must jump at the first opportunity for a remedy, financially stressed homeowners must guard against predators that are looking to take advantage of the situation. It is important to consider all options, understanding that a solution may not be easy to find. And most of all, homeowners should think twice about paying an advance fee for a loan modification.

Homeowners should know that:

1. Homeowners do not need third party assistance to negotiate a loan modification. Always as a first step, borrowers should contact their lender and ask about having their loan terms modified – this simple call may save thousands of dollars and much heartache. In addition, nonprofit housing counselors may be able to perform the same service for free.
2. While there are some exceptions, including payments in advance to lawyers for legal services, the collection of advance fees is generally restricted, and in some cases prohibited altogether, after the foreclosure process has reached the stage where a notice of default has been recorded against a home.
3. Companies regulated by the Department of Real Estate (DRE) must have their advance fee contract for loan modification services reviewed by the DRE prior to use and they must hold the money in a trust account until they deliver the services you were promised. The law requires unearned fees to be refunded.
4. Homeowners who feel they were victimized should file a complaint with the DRE.

For more information about advance fees, loan modification scams, or where to find an approved non-profit housing counselor, or to check out DRE reviewed loan modification services agreement(s), visit DRE's web site at <http://www.dre.ca.gov>.

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