



California Department of Real Estate
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Consumer Alert

FRAUD WARNINGS FOR CALIFORNIA HOMEOWNERS IN FINANCIAL DISTRESS

As homeowners continue to feel the financial effects of COVID-19, loan modification and foreclosure rescue scams targeting vulnerable consumers are likely to increase.

While there are licensed, legitimate, and qualified people and companies that modify loans or help prevent foreclosure, the Department of Real Estate (DRE) advises caution on the part of homeowners.

Whether they call themselves foreclosure prevention consultants, debt settlement specialists, loan modification specialists, mortgage modification consultants, or some other official sounding title, many are unlicensed and some falsely claim to be non-profits, attorney backed, or affiliated with federal and state governments.

Signs of Fraud and Other Red Flags

Loan modifications – where you and your lender or the “loan servicer” agree to modify the terms of your home loan in a way that works for your financial situation – are not possible for every homeowner. Unfortunately, scammers often falsely claim that they can guarantee a loan modification or forbearance or stop your foreclosure. They make bold statements about their successes, publicize their supposed expertise, ask for money up front, then take your money and leave you in worse shape than before.

Be wary of representations that sound too good to be true, be skeptical, do your own homework using reliable and legitimate sources, and be aware of the following red flags:

- ✓ Unlicensed people or companies.
- ✓ Demand for any type of payment up front (advance fee payment). Remember, once scammers have your money, it will likely vanish.
- ✓ Instructions to pay someone or some company other than your home loan lender or servicer. Always pay your lender/servicer, and no one else.
- ✓ Promises or guarantees of success, such as “We Can Save Your Home,” “Free Consultation,” or “Money Back Guarantee.” No such guarantees are possible.
- ✓ Claims that a company is attorney-backed – especially if no attorney or firm is identified.

- ✓ A request that you grant a “power of attorney” to the loan modifier. The scammer may use the power of attorney to sell the home out from under you.
- ✓ A request that you transfer the title to your home to the loan modifier or a third party. The scammer may strip all of the remaining equity in your home.
- ✓ Promises that you can repair your credit history by paying rent to the loan modifier or some third party.
- ✓ Lease/rent-back scams, where you are told to transfer title to a third party, rent the home from that party, and then buy it back later.
- ✓ Claims that a loan modification company will file a bankruptcy or other frivolous case for you to “force” a lender to negotiate a loan modification.
- ✓ Assertions by the so-called loan modifier that you should just sign documents that they have filled out without reviewing them first, or just sign blank documents. Carefully read and understand all of the documents you sign.
- ✓ Instructions from a loan modification provider that you should not contact your home loan lender or servicer, a lawyer, an accountant, or a non-profit housing counselor.
- ✓ Being advised that missing payments can improve your chances of getting a loan modification. Following this advice puts you on the path to foreclosure.
- ✓ High-pressure sales tactics or warnings that “you must act today.”
- ✓ Claims that the company is government-backed or has access to special programs.

Other Options

- **Do It Yourself for Free:** Contact your lender directly and request a loan modification or forbearance that works for you and your lender. Take detailed notes about your calls, who you speak with, what was said, what you need to do, and what offers are discussed. You can do this yourself, without help from anyone and without paying someone a fee. For more information see DRE’s [FAQs—Consumers Working Directly with Lender on a Loan Modification](#).
- **Consult a Free Counselor:** The U.S. Department of Housing and Urban Development (HUD) offers free housing counseling through HUD-approved, non-profit agencies in California. Visit [HUD’s website](#) to find counselors.
- **Work with a legitimate, licensed, and qualified person or company:** You can hire a representative to negotiate for you. However, be aware that you need to find someone legitimate, licensed, and qualified. Remember it is illegal for *anyone* (including those licensed by DRE and licensed attorneys) to demand, charge, or collect any advance, up-front, or retainer fees, or any other type of pre-payment for residential loan modification or forbearance services.

- California licensed real estate brokers with mortgage loan originator license endorsements can perform loan modification work, and licensed real estate salespersons with a mortgage loan originator license endorsement can do such work under the supervision of their responsible broker. [Check the license status on DRE's website.](#)
- California licensed attorneys can also perform loan modification work, but only when they render these services in the course and scope of their representation. It is illegal in California for attorneys to demand, charge, or collect any advance or retainer fees or any other type of pre-payment for residential loan modification or forbearance services. [Check the license status on the California State Bar's website.](#)

In addition to looking at the license records, contact resources like the [Better Business Bureau](#) for a record of any complaints.

Ask the loan modification “specialist” (whether a DRE licensee or licensed attorney) questions before you sign anything. Ask about their financial, mortgage, and real estate experience; how they renegotiate home loans; if they are actively licensed; whether they have ever been professionally disciplined; how they got their experience; what evidence they have of successful dealings with your lender; how they will be compensated; and their process for successfully negotiating a long-term, affordable, and sustainable modification for you.

What to do If You've Been Scammed

1. If a DRE-licensed person or an unlicensed person practicing real estate is involved, [file a complaint with DRE.](#)
2. If an attorney or unlicensed person practicing law is involved, contact the [California State Bar.](#)
3. File a complaint with the [California Attorney General.](#)
4. Contact your local district attorney, sheriff, or police.
5. Contact the [Federal Trade Commission.](#)
6. Contact the [Federal Bureau of Investigation \(FBI\).](#)
7. Contact your local small claims court, where you may be able to resolve disputes quickly and inexpensively before a judge.

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