

Beware of Loan Modification Scams!



New York homeowners are often targets for “foreclosure rescue” scams. These schemes never work to the benefit of homeowners, and they typically involve major fraud and deception.

A new type of foreclosure rescue scam has emerged, known as a **loan modification scam**.

Here’s how it works: A company contacts a homeowner who has fallen behind in her mortgage, stating that she qualifies for a “loan modification” — a restructuring of the original mortgage loan. The company claims that it can lower the homeowner’s monthly payment, her interest rate or even the amount she owes.

These scammers charge thousands of dollars in up-front fees. Once the homeowner pays these fees, the company and its representatives usually disappear. In other cases, they may arrange a bad loan modification that the homeowner cannot afford. These schemes leave homeowners in worse financial shape than before, and should always be avoided.



If you think that you are a victim of a loan modification scam, call 311 for a referral to a legal services office near you!

The **Neighborhood Economic Development Advocacy Project (NEDAP)** promotes community economic justice, and combats discriminatory economic practices that harm communities and perpetuate inequality and poverty.

NEDAP provides training and technical assistance, community education, GIS mapping, and legal support to help local groups identify and confront pressing financial justice issues. NEDAP also brings groups together in coalitions to press for policy reform and systemic change.

For more information, visit: www.nedap.org



KNOW YOUR RIGHTS!

MORTGAGE SERVICERS & LOAN MODIFICATIONS

A Quick Guide for NYC Homeowners

*This brochure was prepared in 2008.
Check back for updates!*

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Servicers & Loan Modification

This brochure provides important information about servicers and loan modifications for homeowners who are having trouble paying their mortgages or who are in foreclosure.

With thousands of New Yorkers falling behind on their mortgages, many homeowners are encouraged to contact their mortgage servicer. Before contacting your servicer, make sure you know your rights and understand your options!

The servicer is the company that collects your mortgage payments each month, and that communicates with you if you fall behind on your mortgage. The servicer is hired by and acts on behalf of the people who own your mortgage. Servicers can offer various options, including a “loan modification”—which changes certain terms of the mortgage—to help homeowners avoid foreclosure.

This brochure is intended to provide general information only and is not intended to provide legal or other professional advice.

What to Watch Out for When Talking to Servicers

Before you sign a loan modification or payment agreement with your servicer:

- 1. Consult with a qualified non-profit foreclosure prevention counselor or legal services attorney. Make sure the loan modification offered is affordable to you.** Ask the counselor or attorney to look over the servicer's loan modification offer and help you decide if it makes sense for you. It is important to get advice from an independent professional.
- 2. Contact a legal services attorney if you think you received an abusive or illegal loan**—for example, if your mortgage was unaffordable from the beginning, or if your lender or broker engaged in fraud.
- 3. Be aware that if you sign a loan modification agreement, you will likely give up important legal rights and defenses.** Depending on your situation, you might have legal defenses in foreclosure or claims against your lender, which you might not want to give up.

If you have defaulted on your mortgage:

- 4. Continue to make your monthly payments, if possible.**

If your servicer refuses to accept your payments, set aside the money that you would normally pay each month. You will need that money later if you want to modify your mortgage. Servicers will typically require money up front as part of a loan modification agreement.

- 5. Do not ignore foreclosure notices.** The more time that passes, the more difficult it will be to modify your mortgage, or to find another solution. If you delay, fees will pile up, and once you are in foreclosure it becomes much harder to modify the loan.

Also, do not assume that the servicer will hold off on filing or moving forward with a foreclosure action against you—even if you are in discussion with the servicer about modifying or otherwise working out the loan.

★ HOW TO FIND HELP ★

Homeowners at risk of foreclosure should **contact a qualified foreclosure prevention counselor or legal services organization.** These organizations offer many services to homeowners, including foreclosure prevention legal services and counseling, loan remediation, work-out plans, reverse mortgages and credit counseling.

CALL 311, NYC's resource helpline,
to find foreclosure prevention counselors or legal services in your area.