

Consumer Alert: Fees for Loan Modifications

Homeowners facing foreclosure are frequent targets of predatory scams and the latest of these, for-profit loan modification schemes, is no exception. For fees ranging from \$500 to \$3,000 or more, companies claim to help homeowners avoid foreclosure by working with a lender to change the terms of a mortgage loan, such as lowering the interest rate, extending the length of the loan or adding missed payments to the balance of the loan. These companies typically take money upfront from the homeowner but provide little to no services in return.

What consumers need to know about for-profit loan modification companies:

- **They charge a fee for services that are available FREE to Minnesota homeowners.** The Minnesota Home Ownership Center's network of non-profit agencies offers foreclosure and mortgage support-counseling services to all Minnesotans. Services provided through the Center's network are free and mortgage support advisors are equipped to advocate on behalf of homeowners with lenders. In addition, loan modification may be only *one* option available to home owners... the Center's network provides a full spectrum of foreclosure prevention services.
- **They may promise results that are unrealistic in an effort to convince homeowners to hire them.** Unlike the non-profit counseling agencies which are mission-driven, for-profit loan modification companies make money when homeowners use their services. They are likely to use high pressure sales tactics to get customers even when it is clear that nothing can be done to save the home.
- **They may not be certified or trained specifically to provide foreclosure prevention services.** The Center's network agencies receive extensive training and are certified, meeting state and national standards to provide foreclosure prevention services.
- **Fee for service companies are frequently located out of state and may not be familiar with Minnesota laws or the services and resources available to Minnesota homeowners.** The Center's network is located in, and well connected with, communities throughout Minnesota.

Beware of people and companies that:

- Ask you to pay a fee to work with your mortgage company
- Advise you to stop making your mortgage payment
- Make promises that sound too good to be true

What to do if approached by a loan modification company:

- Seek advice from one of the Minnesota Home Ownership Center's mortgage support advisors before signing any papers or paying money to a company that charges for loan modification services.
- Be an informed consumer. Ask questions; contact the Minnesota Department of Commerce to make sure the company has a license by the state to provide the services that they are offering.

This information is provided as a service of the Minnesota Home Ownership Center, the state's independent, non-profit resource for education, counseling and information services for both homeowners struggling with foreclosure and first-time homebuyers. Minnesota homeowners are encouraged to contact the Center at (866) 462-6466 or visit www.hocmn.org for help in finding a mortgage support advisor who can help them figure out if a loan modification is the best solution.