



The Loan Modification Scam

There is a Scourge in the Land

BY LEWIS SMITH AND FRANK DEMARAIS

In a time of national financial crisis affecting millions of families' homeownership, a number of fraudulent financial services companies have compounded the pain by offering costly, ineffective services promising relief to delinquent or distressed homeowners. Homeowners need to avoid those for-profit companies selling mortgage modification and foreclosure avoidance plans who promise to fix all your mortgage payment problems but who will only take your money and leave you with the problems you asked them to solve.

We have never heard a positive story of a homeowner actually getting help from a private mortgage modification company. We only hear the stories of significant funds spent with no positive results.

The government, banking and nonprofit industries have set up local and national nonprofit support programs to help distressed homeowners understand their options and pursue relief from their lenders. These are FREE services, and homeowners should seek legitimate help from nonprofit organizations or government programs. The best place to start is with the HOPE Alliance program at 888-995-HOPE.

Why Can't Private Mortgage Modification Companies Help?

In order to help you, they must work with your lender and the Federal Government's Making Home Affordable Refinance or Modification Program. But the for-profit organizations don't have any relationships or standing with your lender or with the government programs to act on your behalf! Only the free nonprofit provided services have the formal relationships that make these deals work, but even these processes take time, can be frustrating, and distressed homeowners are often disappointed with the offers provided by the lenders.

Since the mortgage modification companies as a practice collect fees upfront, they can lose interest in their clients quite quickly. Ultimately, they can offer to buy a clients' home but only at a bargain basement discount. And they can just tell their clients that they simply can't help anymore and hope the people go away. Nevertheless, scores of mortgage modification companies are listed on the Internet, and their advertisements come repeatedly in the mail and by phone and on television into the homes of homeowners.

The appeal of these companies is based on the ease by which they make promises of quick and complete solutions to homeowners' mortgage problems. Their appeal is helped by the slow manner by which many lenders and the government programs can take action. Resolution can be slow due to the vol-

ume of complicated and difficult cases presented to the lenders and the Making Home Affordable government staff.

Here at nonprofit Manna Mortgage, we talk daily with homeowners in mortgage trouble. We have never heard of any for-profit mortgage modification company that has helped a homeowner. But we do hear often from people who, in desperation, paid high fees for promised services but got no help.

Homeowners should consider all potential options and select the course of action which appears most productive. In addressing mortgage problems, this ultimately can mean facing the need to sell and rent in order to salvage what is left of the homeowner's investment and to stop the continuing costs.

The Mortgage Modification Companies' Soft Sell, Hard Sell and Come-Ons

Homeowners desperate for mortgage help are told by the modification company that it can definitely help them. The company says they understand their plight, that it is not all their fault and that a solution is definitely available. The company typically says that it has an inside track to the lender and to the government refinance and modification programs. The modification company promises the homeowner real solutions which will begin immediately after the homeowner pays a fee.

The following are taken from the Office of the Comptroller of the Currency's (OCC) list of "Ten Warning Signs of a Mortgage Modification Scam" issued April 21. While these are presented by the OCC as warning signs, they reflect the "hard sell" that borrowers in trouble experience. "Pay us \$1,000, and we'll save your home." "I guarantee I will save your home – trust me." "Sign over your home, and we'll let you stay in it." "Stop paying your mortgage." "If your lender calls, don't talk to them." "Your lender never had the legal authority to make a loan." "Just sign this now; we'll fill in the blanks later." "File for bankruptcy and keep your home." "Why haven't you replied to our offer? Do you want to live on the streets?"

The enticements to troubled homeowners are many. The American Modification Alliance (AMA), a private company, states on the Internet: "The worst thing you can do is wait. These problems do not disappear by themselves. But with AMA on your side, they can and will disappear."

LoanModUS.com, on the Internet, states: "Look no further. Our legal loan modifications program will relieve you of the headache of falling behind on payments and possibly facing foreclosure. We are one of the legally backed

loan modification companies with no upfront charge for a financial evaluation, accompanied by a money back guarantee.”

Outrage, Complaints and Action from High Places

Fee-based modification assistance services are one of the most abusive types of organizations in the current housing crisis. Attorneys general from 12 states met Sept. 17 to consider enhancing efforts to protect consumers against fraud, particularly ones that prey upon homeowners at risk of foreclosure. US Attorney General Eric Holder stated, “Our efforts to attack mortgage fraud must be, and are, concerted and coordinated. Working together, we can send a clear and straightforward message: If you perpetrate mortgage fraud, we will find you and bring you to justice.”

Iowa Attorney General Tom Miller said, “With such schemes, consumers are asked to pay hundreds of dollars for help to avoid foreclosure, yet they receive no help at all. ... The scam puts the homeowner deeper into a financial hole and does nothing to save the home.”

Illinois Attorney General Lisa Madigan said that an upfront fee is a red flag. “If you’re asked to pay an upfront fee, that’s a sure sign you’re dealing with a scavenger.”

Kenneth Harney, the nationally syndicated real estate columnist, said in a Sept. 5 article about companies offering modification and foreclosure prevention services, “Troubled homeowners need to ask: Rescue or Rip Off.” Harney also stated that the Federal Trade Commission now operates “Operation Loan Lies,” a federal-state effort that has targeted 189 companies allegedly running mortgage-modification or foreclosure-prevention scams.

Actions for Homeowners to Take When Facing Mortgage Payment Troubles

Contact your lender right

away and explore ways you can work out your payment difficulties. Seek also counseling from one of the local nonprofit HUD-approved housing counseling organizations listed below. You can also call the nonprofit 1-888-995-HOPE (4673) hotline available 24-7 for mortgage counseling. Also explore with your lender a US Government Making Home Affordable refinance or modification. Learn more at MakingHomeAffordable.gov.

Never, if you decide to sell, pursue the “We Buy Houses” signs on telephone poles or the same come-ons on TV, in newspapers or on the Internet. Engage instead a highly recommended Realtor with a written contract with you to serve your interests first.

Consider a reverse mortgage if you are over 62 years of age and meet other eligibility criteria.

Consider selling your home, saving all the equity that you can and renting. But consider any proposal from a commercial company to help you with mortgage modification or foreclosure prevention as an invitation to trouble.

In Washington, DC, HUD-approved housing counseling is available at Housing Counseling Services, 2410 17th St. NW, 202-667-7006; Latino Economic Development Corporation, 2316 18th St. NW, 202-588-5102; Lydia’s House, 3939 South Capitol St. SW, 202-373-1050; Marshall Heights Community Development Organization, 3939 Benning Road NE, 202-396-1200; or University Legal Services, 220 I St. NE, 202-547-4747 and at 3220 Pennsylvania Ave. SE #4, 202-581-0600.

Manna Mortgage Corp., DC’s first and only nonprofit mortgage company, is located at 828 Evarts St. NE, and is an affiliate of the Manna Inc. organization. Reach Lewis Smith at 202-534-1047 or Lsmith@mannadc.org. Reach Frank Demarais at 202-534-1045 or Fdemarais@mannadc.org. ★



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