

What to Know Before Pursuing a Loan Modification

A loan modification is a process where you and your lender or loan "servicer" agree to modify one or more of the terms of your home loan. This can include lowering your interest rate and extending the length of the loan. The ultimate goal is, and should always be, to help you keep your home and to provide you with an arrangement that works for your financial situation.

Many lenders have free loan modification or other programs for homeowners in financial distress. The BBB encourages you to contact your lender directly to see what assistance is available to you. Beware of companies or individuals who ask you to cease communication with your lender or accept money on your lender's behalf. Money should be paid to the lender directly. If you prefer not to deal with your lender, you may wish to contact a housing counselor that has been approved by the U.S. Department of Housing and Urban Development (HUD) as they may be able to assist you for free. You can contact **HUD** at **1-800-569-4287** or www.hud.gov. You may also wish to contact the HOPE NOW Alliance, a cooperative effort of home loan counselors and lenders. **HOPE NOW** can be reached at **1-888-995-HOPE** or www.hopenow.com.

Licensed individuals and companies that can perform loan modification work on your behalf include real estate brokers, real estate salespersons under the supervision of their employing broker, and attorneys who offer loan modification services in the scope of their practice as an attorney. Check out licensed real estate brokers and salespersons with the **Department of Real Estate** at www.dre.ca.gov or by calling **(916) 227-0931**. Check licensed attorneys with the **State Bar of California** at www.calbar.ca.gov or **(415) 538-2000**. ALL companies offering foreclosure prevention services, including loan modification, are required to be registered with the **Attorney General's** office as of July 1, 2009. You can check the list of registered companies at **800-952-5225** or <http://ag.ca.gov/loanmod>.

A common practice among companies offering loan modification services is accepting a fee prior to commencing work. On October 11, 2009 Governor Schwarzenegger signed Senate Bill 94 stating companies are NOT allowed to take advance fees for loan modification or mortgage loan forbearance services. Formerly real estate agents were issued a "no objection" letter from the Department of Real Estate to collect advance fees. This agreement is no longer in effect. Attorneys were formerly allowed to accept advance fees, but are also not allowed to take advance fees for loan modification or mortgage loan forbearance services. More information regarding this bill can be found at [http://www.dre.cahwnet.gov/pdf_docs/SB94WebAnnouncement\(brokers\).pdf](http://www.dre.cahwnet.gov/pdf_docs/SB94WebAnnouncement(brokers).pdf).

Beware of individuals or companies that ask you to sign a power of attorney or ask that you transfer the title of your home. These actions allow the party with the power of attorney or title to evict you, sell your house without your permission, or strip any remaining equity from your home. The BBB encourages you to read and understand ALL documentation before signing. If you have any questions and/or are unclear about any terms and conditions, contact the appropriate licensing agency. High-pressure sales tactics, instructions to miss payments, and claims that sound too good to be true are signs that you may be dealing with an unscrupulous individual.

Check with your local BBB for company reports and further tips and referrals to sources that can help.

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