

# What You Should Know About MORTGAGE LOAN Modification Scams

consumer**brief**

**Consumers should be wary of businesses that claim they can help homeowners avoid foreclosure or modify their mortgage loans.**

**Con artists who claim they can help homeowners by modifying their mortgage loans can actually make a bad situation worse.**

## **WHAT IS A MORTGAGE LOAN MODIFICATION?**

A modification involves changing the terms of an existing mortgage loan. A modification may help a struggling borrower by lowering monthly payments, adjusting his or her interest rate, extending the length of the loan or, in some cases, decreasing the unpaid balance of the loan.

Companies that claim they can help homeowners get a mortgage loan modification must be licensed with the New Jersey Department of Banking and Insurance ("DOBI") as "Debt Adjusters."

## **HOW CAN I GET A MORTGAGE LOAN MODIFICATION?**

The State and Federal governments have established a number of programs to encourage lenders to help distressed borrowers through loan modifications. If you are struggling to make your monthly payments, you should contact your mortgage lender or servicer directly and ask them if you are eligible for one of these loan modification programs.

## **WHAT KINDS OF ENTITIES CAN LEGALLY CARRY OUT MORTGAGE LOAN MODIFICATION SERVICES INVOLVING "DEBT ADJUSTMENT"?**

The only types of businesses that can engage in mortgage loan modification services are:

- The lender or owner of the loan;

- The mortgage servicer acting on behalf of the lender or owner of the loan;
- An attorney (provided that he or she is not engaged primarily in debt adjustment); and
- A nonprofit corporation licensed by DOBI as a debt adjuster.

## **WHERE CAN I FIND THE NAMES OF LICENSED DEBT ADJUSTERS IN NEW JERSEY WHO LEGALLY CAN PROVIDE MORTGAGE LOAN MODIFICATION SERVICES?**

DOBI provides a listing of all licensed debt adjusters in New Jersey on its Web site. A complete listing can be found online at: [www.state.nj.us/dobi/division\\_consumers/](http://www.state.nj.us/dobi/division_consumers/).

Check with DOBI first and never hire or pay money to any unlicensed or non-exempt individual or business that promises to provide mortgage modification services.

Licensed debt adjusters acting as mortgage loan modification businesses typically charge a nominal or sliding-scale fee for services and are required to be bonded in the minimum amount of \$50,000.

*Continued*



**800-242-5846 • New Jersey Division of Consumer Affairs**  
**[www.NJConsumerAffairs.gov](http://www.NJConsumerAffairs.gov)**



## WHAT OTHER KIND OF HELP IS AVAILABLE FOR FINANCIALLY DISTRESSED HOMEOWNERS OR HOMEOWNERS WHO HAVE RECEIVED FORECLOSURE NOTICES OR COURT COMPLAINTS?

The Office of the Attorney General, the Judiciary, the Housing and Mortgage Finance Agency, Legal Services of New Jersey, the Office of the Public Advocate and the Department of Banking and Insurance are working together to help homeowners.

The New Jersey Judiciary Foreclosure Mediation Program provides housing counselors, lawyers, and mediators to help homeowners who are facing foreclosure. Additional information can be found online at: <https://www.njcourts.gov/courts/foreclosure>.

Homeowners eligible to use the N.J. Judiciary Foreclosure Mediation Program must meet the following requirements:

- Have a one- to three-family residential property;
- Use the property as their primary residence; and
- Be the borrower named on the mortgage loan.

The United States Bankruptcy Court for the District of New Jersey has issued an order that debtors/borrowers with pending bankruptcy cases who meet the qualifying Conditions of Program may now participate in it.

Other New Jersey programs providing assistance to homeowners facing foreclosure can be found on the New Jersey Housing and Mortgage Finance Agency's Web site at: [www.state.nj.us/dca/hmfa/](http://www.state.nj.us/dca/hmfa/).

The "Making Home Affordable" program may be able to provide free assistance to financially distressed homeowners. Detailed information about this program can be found online at: [www.makinghomeaffordable.gov/](http://www.makinghomeaffordable.gov/).

## WARNING SIGNS OF A POSSIBLE SCAM:

- You are asked to pay large, up-front fees for mortgage loan modification help.
- Mortgage loan modification help is offered by a "homeowner consultant" or "financial counselor" and not a DOBI-licensed "debt adjuster."
- You are told not to make your mortgage payments.
- You are told not to contact your mortgage lender or provider because the person or company offering you assistance will handle all of the details; and
- You are told to make future payments to a new person or firm without informing your current mortgage lender or provider.

## WHAT TO DO IF YOU BECOME A VICTIM OF A MORTGAGE LOAN MODIFICATION OR FORECLOSURE SCAM.

Both DOBI and the New Jersey Attorney General (through its Division of Consumer Affairs) enforce laws to protect homeowners.

To file a complaint with Consumer Affairs, homeowners can visit [www.NJConsumerAffairs.gov/](http://www.NJConsumerAffairs.gov/) and click on **File a Complaint** under the **Complaints & Reports** section.

Telephone reports of mortgage-related fraud should be directed to the Division of Consumer Affairs' toll-free hotline at 1-800-242-5846 (out-of-state callers should call 973-504-6200).

To file a DOBI complaint, homeowners can go to the DOBI Web site at:

[www.state.nj.us/dobi/consumer.htm#banking](http://www.state.nj.us/dobi/consumer.htm#banking) or call the DOBI by calling 1-800-446-7467.

### New Jersey Office of the Attorney General DIVISION OF CONSUMER AFFAIRS

#### Consumer Service Center

124 Halsey Street  
P.O. Box 45025  
Newark, NJ 07101

973-504-6200

800-242-5846  
(toll free within N.J.)



E-Mail: [AskConsumerAffairs@dca.lps.state.nj.us](mailto:AskConsumerAffairs@dca.lps.state.nj.us)

website:

[www.NJConsumerAffairs.gov](http://www.NJConsumerAffairs.gov)

**800-242-5846** • New Jersey Division of Consumer Affairs  
**[www.NJConsumerAffairs.gov](http://www.NJConsumerAffairs.gov)**

