

News Release

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Brown Warns Homeowners to Avoid Forensic Loan Audits

Los Angeles-Attorney General Edmund G. Brown Jr. today joined the California Department of Real Estate (DRE) and the State Bar of California in warning Californians to avoid forensic loan audits, the loan-modification industry's latest "phony foreclosure-relief service," in which homeowners pay up-front fees for a forensic review of their lender's practices, but are provided no actual foreclosure relief.

"Forensic loan audits are yet another phony foreclosure-relief service hawked by loan-modification consultants trying to cash in on the desperation of homeowners facing foreclosure," Brown said. "The foreclosure-relief industry continues to be long on promises, but short on results."

Individuals and businesses who offer forensic loan audits use inflated and misleading claims to convince homeowners to pay up-front fees for services that produce no actual foreclosure relief. Homeowners are encouraged to pay for an audit of their mortgage loan file to determine their lender's compliance with state and federal mortgage-lending laws. This audit is pitched to homeowners as a tool they can use to gain leverage and speed up the loan-modification process.

In truth, there is no evidence or statistical data to support claims that forensic loan audits-even if performed by a licensed, legitimate and trained auditor, mortgage professional or lawyer-will help homeowners obtain loan modifications or provide any other foreclosure relief.

"The State Bar is committed to dealing with all aspects of loan foreclosure fraud involving attorneys," said State Bar President Howard Miller. "We will continue to work with all the other government agencies to prevent fraud and to move for disciplinary sanctions against attorneys who violate their obligations to their clients."

By law, all individuals and businesses offering mortgage-foreclosure consulting, loan-modification and foreclosure-assistance services must register with Brown's office and post a \$100,000 bond. It is also illegal for loan-modification consultants and businesses to charge up-front fees for their services.

Brown has sought court orders to shut down more than 30 fraudulent foreclosure-relief companies and has brought criminal charges and obtained lengthy prison sentences for dozens of deceptive loan-modification consultants.

In 2009, the DRE investigated more than 2,000 complaints involving loan-modification scams. Nearly 350 individuals and companies received a Desist and Refrain Order to stop illegal activity.

"The DRE has aggressively pursued loan-modification scammers who prey on vulnerable and financially stressed homeowners, and those peddling false hope by promising mortgage relief with a forensic audit will be scrutinized," stated Real Estate Commissioner Jeff Davi. "With consumer education efforts and warnings, we hope to keep consumers from falling victim in the first place."

As part of today's consumer alert, Brown offered the following tips to homeowners:

- Don't pay up-front fees. Foreclosure consultants are prohibited by law from collecting money before services are performed.
- Don't ignore letters from your lender or loan servicer. Responding to those letters is your best bet for saving your house.
- Don't transfer title or sell your house to a "foreclosure rescuer." Beware! This is a scam to convince homeowners they can

stay in the home as renters and buy their home back later. It could also be part of a fraudulent bankruptcy filing. Either way, a scammer can then evict you and take your home.

- Don't pay your mortgage payments to anyone other than your lender or loan servicer. Mortgage consultants often keep the money for themselves.

- Never sign any documents without reading them first. Many homeowners think that they are signing documents for a loan modification or for a new loan to pay off their delinquent mortgage. Later, they discover that they actually transferred ownership of their home to someone who is now trying to evict them.

Non-profit housing counselors certified by the U.S. Department of Housing and Urban Development provide free help to homeowners. To find a counselor in your area, call 1-800-569-4287.

If you are a homeowner who has been scammed, you can contact Brown's office at 1-800-952-5225 or file a complaint online at: www.ag.ca.gov/consumers/general.php. You can also learn more about avoiding scams and obtain a complaint form by visiting the DRE's web site at: www.dre.ca.gov.

If you have a complaint against a lawyer, contact the State Bar Complaint Hotline at 1-800-843-9053. Complaint forms and an explanation of the attorney discipline system are available online at: www.calbar.ca.gov.

In 2009, California accounted for 22 percent of the nation's foreclosure activity, with 632,573 homes in foreclosure statewide. This is an annual increase of more than 20 percent in foreclosure activity from 2008 and a 150 percent increase from 2007.

For more information on Brown's action against loan-modification fraud visit: <http://ag.ca.gov/loanmod>.

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