

Bill to Protect Homeowners Against Loan Modification Scams Clears Committee

*California Political Desk
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SACRAMENTO – The Senate Judiciary Committee today passed a measure by Sen. Ron Calderon (D-Montebello) that will protect California borrowers who are struggling in today's troubled housing market.

The bill, SB 94, authored by Sen. Calderon, will prevent a person or a business from charging an upfront fee to a borrower for helping negotiate a loan modification on that borrower's behalf. Such services are free of charge from non-profit housing counselors.

"Economic times are difficult enough without homeowners having to worry whether they are being scammed when they want to modify their mortgage loans," said Senate President pro Tem Darrell Steinberg (D-Sacramento). "The bill is a common sense, consumer measure that will make it clear to struggling homeowners that they can get help with their loan modification needs free-of-charge. I commend Senator Calderon for introducing SB 94."

Tens of thousands of Californians face default and possible foreclosure if they are unable to negotiate a loan modification with their lender. A cottage industry has sprung up to exploit these borrowers, prey on their fears of foreclosure and their ignorance of the complicated foreclosure process. Loan modification "consultants" charge borrowers fees - often up-front and nonrefundable - for services available elsewhere free-of-charge.

"Fear and desperation create a fertile climate for exploitation," said Senator Calderon, chairman of the Senate Banking, Finance and Insurance Committee. "Borrowers facing financial ruin are misplacing their trust in these so-called consultants who charge fees for limited services that often leave the borrower worse off than before."

"The Senate Judiciary Committee heard testimony last month about the increasing number of consumer scams targeting people facing foreclosure," said Senator Ellen Corbett (D-San Leandro), chair of the Senate Judiciary Committee. "I strongly support these important protections that will help to put an end to unscrupulous scammers who take advantage of trusting homeowners desperately looking for help."

Unscrupulous loan-modification consultants can be found lurking outside every mortgage fair, trolling for troubled borrowers. Their advertisements flood neighborhoods that have been hardest hit by foreclosure.

Senator Lou Correa (D-Santa Ana), in support of the measure added, "I've heard horror stories from my constituents who were facing foreclosure and paid thousands of dollars to heartless individuals offering false hope and unmet promises. This has to be made a crime."

Sen. Calderon's measure, SB 94, cracks down on these loan-modification con artists by prohibiting lenders from charging borrowers for loan modification services. Non-lenders can charge a fee for helping arrange a loan modification only after providing promised services and informing customers that similar services are available for free from non-profit housing counselors.

The bill's next stop is the Senate Appropriations Committee.