



NEW YORK STATE SENATOR

Jeffrey D. Klein

Shutting Down Foreclosure Modification Scams

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SHUTTING DOWN FORECLOSURE MODIFICATION SCAMS

Senator Klein unveils new proposal that cracks down on pervasive city wide scams

NEW YORK- Deputy Majority Leader and State Senator Jeff Klein (D-Bronx/Westchester) joined by Senator Brian Foley (D-Blue Point), NYS housing groups, Foreclosure Prevention

Counselors from Community Homes Innovations and scam victims unveiled new legislation today that would significantly decrease, and in some cases eliminate, the pervasive practice of loan modification scams.

“The need for loan modification services has dramatically increased in the past year and unfortunately, unscrupulous loan modification companies have launched an all out assault on hard-working New Yorkers fighting to keep their homes,” said Klein. “In desperation, New York homeowners in foreclosure fall victim to these scams and have no idea that they are eligible to have their loans modified free of charge.”

In June 2009 after a crackdown on loan modification and foreclosure rescue scams, the FBI revealed that more than 2,000 companies nationwide allegedly scammed troubled homeowners with “rescue” offers. That’s a 400-percent increase from 2005. The Federal Trade Commission also launched an investigation of nationwide online and print advertisements offering mortgage foreclosure rescue assistance and discovered that about 70 separate companies were running questionable advertisements.

New York State already has a Real Property Law that regulates distressed property consultants and outlines the terms and requirements they must follow, in order to avoid prosecution by the NYS Attorney General’s Office. Unfortunately, many New Yorkers remain unaware of the law and therefore fall victim to dangerous rescue scams. After seeing the crippling effect of the foreclosure crisis in his own neighborhood and speaking to housing groups as well as victims who have turned to fraudulent loan modification companies, Senator Klein drafted legislation provides for better protection for distressed homeowners. The bill (S5896), requires all loan modification companies and lawyers to display a disclaimer on all advertisements, alerting consumers that they can receive the same services for free through the NYS Banking Department. The proposed disclaimer states the following:

“In New York State, approved housing counselors provide similar services for free. A list of housing counselors may be found on the website of the New York State Banking Department, www.banking.state.ny.us or by calling the Banking Department toll-free at 1-877-BANK-NYS (1-877-226-5697). You are advised to consult with an approved housing counselor before signing any contract.”

If a company fails to display the disclaimer on its advertisements, the bill states the Attorney General’s office may step in for enforcement.

“The home foreclosure crisis has devastated countless communities throughout New York State,” said Senator Brian X. Foley (D – Blue Point. “To make matters worse, scammers who promise to save homes from foreclosure have exploited this crisis to make money off vulnerable homeowners. This legislation will be a major step in giving homeowners the information they need and keeping them from wasting money when they can least afford to do so. I am proud to support this legislation and look forward to continue to work with Senator Klein in combating the foreclosure crisis and protecting the American dream of home ownership.”

“If we had a law requiring a disclaimer be put on all advertisements, it would have saved my family pain, suffering and major losses,” said Thomas Wright, a victim who lost \$85,000 dollars after calling a number his grandmother saw on a loan modification advertisement.

“100% of CHANGER clients have been solicited by loan modification scammers. Of this, 40% have paid upfront money, as much as \$13,000.00 and received nothing in return. Senator Klein has been a true champion to CHANGER homeowners and homeowners across the state! This legislation adds another layer of protection for homeowners from disreputable loan modification consultants,” said James Lewis, the Director of Policy and Organizing for CHANGER, Inc.

In December 2009, Governor Paterson signed into law the most comprehensive foreclosure legislation in NYS history. Senator Klein sponsored the bill which included a provision prohibiting all consultants from accepting upfront fees and mandating that mortgage brokers must disclose the exact amount of total compensation and why the broker will receive that amount in the transaction. Klein's current piece of legislation takes these foreclosure laws one step further, by encouraging homeowners to turn to free state services before contacting a loan modification company.

“Too many of the homeowners we see in our network have been victims of unscrupulous loan modification companies – with their ‘flash, cash and dash’ approach,” says Michael Hickey, Executive Director of the Center for NYC Neighborhoods. “They make big flashy promises, collect exorbitant fees, then disappear without providing a service. We need leaders like Senator Klein and strong legislation like this bill to direct homeowners to local, reliable, free housing counseling and legal services. New York City residents can access help by calling 311.”

“Senator Klein continues to demonstrate his leadership on the foreclosure issue. The disclaimer requirement legislation being pushed by Senator Klein will assist housing counselors throughout New York. Homeowners will now have the opportunity to make informed choice as to what legitimate options are available to them. As a foreclosure counseling agency we are delighted that the shady dealers of false promises will have this important restraint on their soliciting activities. We have seen the effects of these solicitations on our clients. Not only the fees in relation to their finances, but the loss of faith in other reputable agencies after being misled,” said Gerald Carter, Mediation Counselor with the Parodneck Foundation.

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