



**For Immediate Release**

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## **Undercover Investigation Finds Fraud Common among Mortgage Loan Modification Companies**

WASHINGTON, DC – Today, four fair housing organizations released their findings of a year-long undercover investigation of 80 loan modification companies, which reveal an industry rife with corrupt practices. The National Fair Housing Alliance, the Connecticut Fair Housing Center, Housing Opportunities Made Equal of Virginia, Inc., and the Miami Valley Fair Housing Center issued a report entitled, “Have I Got a Deal for You! An Undercover Investigation of Mortgage Loan Modification Scams,” which documents the tactics mortgage modification scammers use to take money from vulnerable homeowners.

An analysis of the 80 loan modification companies uncovered common tactics used by scammers to entice homeowners to use their services:

- 55% required an upfront fee to start work or required a low initial fee to conduct minimal work on behalf of distressed homeowners, such as reviewing loan documents;
- 43% guaranteed or promised they could secure a loan modification even before learning about the homeowners’ financial limitations;
- 24% advised or encouraged homeowners to stop making their mortgage payments or to stop contacting their lenders;
- 16% guaranteed a new, much lower interest rate ranging between two and 6 percent on modified loans;
- 12% discouraged homeowners from seeking free help from government-approved housing counseling agencies;
- 8% encouraged homeowners to provide fraudulent information to their lenders.

“This is shameful abuse by loan modification scammers to take advantage of desperate homeowners,” said Shanna L. Smith, NFHA President and CEO. “We and our partner

organizations will work to see to it that these companies are prosecuted by the Federal Trade Commission and other federal and state enforcement agencies.”

With one in nine homeowners nationwide more than 90 days behind on their mortgage payments, a lucrative industry of mortgage modification and foreclosure prevention scams has emerged.

Investigators working on behalf of the fair housing organizations captured scammers saying things like:

- “I’d be breaking the law if I told you to stop paying your mortgage, but friend-to-friend, you won’t get a loan modification until you are behind on your mortgage.”
- “If you don’t qualify, we modify expenses for you. They [the lenders] don’t check it. No one knows what you spend on groceries. We make you qualify by playing with the numbers.”

Among other recommendations, the fair housing organizations call upon the financial services industry to recommit itself to providing sustainable loan modifications so consumers do not have to turn to scammers; they call upon the Federal Trade Commission to strengthen its new MARS regulation to prohibit upfront fees for all loan modification companies, including law firms; and they call for strengthened enforcement and education efforts by the federal government.

To read the full report, go to [www.nationalfairhousing.org](http://www.nationalfairhousing.org).

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**About the National Fair Housing Alliance ([www.nationalfairhousing.org](http://www.nationalfairhousing.org))**

Founded in 1988, the National Fair Housing Alliance is a consortium of more than 220 private, non-profit fair housing organizations, state and local civil rights agencies, and individuals from throughout the United States. Headquartered in Washington, D.C., the National Fair Housing Alliance, through comprehensive education, advocacy and enforcement programs, provides equal access to apartments, houses, mortgage loans and insurance policies for all residents of the nation.