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Facing foreclosure? Beware when looking for help

By **Pete Carey**
Mercury News

Posted: 11/22/2008 01:16:00 PM PST

Mercury News

San Jose property owner Salvador Ruiz paid a company \$8,950 to renegotiate the terms of his loans on two houses four months ago, but he says they did nothing and haven't returned his money.

"They tell me everything's OK, but they haven't done anything so far," said Ruiz, who is filing a complaint with the California Department of Real Estate.

With non-profits and banks overwhelmed by the demand for their services from people like Ruiz, an army of consultants has sprung up in San Jose and around the state offering homeowners help getting banks to modify their loans — for a price. Some of these businesses charge as much as \$5,000 in advance, and many desperate homeowners, facing foreclosure, have been willing to pay.

But some customers are complaining little was done for their money, while a few services have turned out to be scams.

"It's a relatively new phenomenon," said California Department of Real Estate spokesman Tom Pool. "It's becoming an issue. As always, people get very clever when they see an opportunity."

Real estate brokers are required to obtain permission from the DRE to collect fees in advance, but do not need permission if they charge after completion of the work. Pool said the agency has issued "desist-and-refrain" orders to a few unapproved companies that were charging advance fees. The DRE advises consumers to check its Web site to verify that a company's contract has been

approved.

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"Some of our clients have paid companies for modifications and not received service," said Keisha Woods of EPA Can Do, an East Palo Alto non-profit. "We are advising our clients not to pay for any type of modification service."

EPA Can Do helps low- to medium-income homeowners negotiate loan "workouts" for homeowners facing foreclosure or future trouble from a pending interest-rate reset, and helps transition those who do lose their houses, Woods said.

The state Attorney General's office is prosecuting First Gov, also called Foreclosure Prevention Services, a Los Angeles company that promised to renegotiate loans for \$1,500 to \$5,000 but instead "ripped them off for thousands of dollars" while their homes went into foreclosure, according to the Attorney General's office.

"Loan modification scams are becoming more and more prevalent across the country, particularly in California," Attorney General Jerry Brown said when First Gov officials were arrested earlier this month.

Most major banks have their own loan modification processes, which customers can deal with on their own. And non-profits such as Project Sentinel and Neighborhood Housing Services-Silicon Valley will help clients negotiate with banks for free. But these services are clearly overwhelmed by the demand.

"The reality is, we're swamped," said Martin Eichner of Project Sentinel in Sunnyvale. "We're currently averaging 12 hours of counselor time per case. It's labor-intensive, so the idea of charging for the work is not unreasonable. The problem is charging fees in advance before accomplishing anything."



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Said Marlene Santiago, a foreclosure intervention counselor with Neighborhood Housing Services: "On Mondays, we have 70 voice mails waiting. It takes me two hours to go through them. We need help, we really do."

Ruiz, the San Jose property owner, ultimately turned to another private company, Home Resolution and Credit Services, which was opened in July by real estate agent Robert Aldana and broker Martha Lopez-Chubb. It's one of two San Jose companies registered with the DRE to accept advance fees for mortgage modifications.

"Plain and simple, if there was enough help out there for free, we would not exist," said Aldana, who does local Spanish-language radio and television broadcasts on real estate.

Aldana said his company, which screens applications to ensure it can truly help, has successfully modified about 30 loans and is working on 200 more. The company charges \$2,500, which is put into a trust and drawn from, 30 percent at a time, as various stages of the modification process are completed.

Unlike brokers, attorneys can renegotiate mortgages and collect up-front fees without DRE approval.

Herbert Orellana, 42, who runs a house-cleaning service, said he first turned to a San Jose law firm for help after his bank denied him a loan modification. But he said the law firm asked him to pay \$10,000 with a \$4,000 deposit, far beyond his means.

He went to Aldana's company, which got Washington Mutual to reduce his interest to 1 percent and defer almost half the principal for five years. He paid HRCS \$1,000 after the loan was modified.

Sometimes, though, the process just takes too long.

Oscar Rosales turned to a private company in Campbell to help him modify his mortgage and stave off foreclosure on his Santa Clara home. He paid \$2,495, but now he believes it was a waste of time.

"Time was running out. I told him to stop the process," said Rosales, whose home faces a Dec. 9 trustee sale. He said the service returned his money, and he then sought help from Project Sentinel, which is trying to delay the sale.

Juan Carmona, who runs Back on Track, the company Rosales dealt with, said the firm is a financial "hardship consultant" and not a loan modification company, so it does not need Department of Real Estate approval. It does try to modify loans for some clients, but "there's a lot of backlog — it doesn't happen fast," said Carmona. "We've helped many, many customers," he said. "It's the first time anyone's asked for their money back."

East Side real estate broker Jaime Alvarez says he's successfully modified the loans of six people in the past four months, charging \$1,200 upon completion. But he says he doesn't like to advertise the service because success is so rare. Alvarez doesn't need state approval because he doesn't get paid until after he gets a loan modified.

"It's constant phone calls, faxing, going from one department to another department, from one negotiator to another. These banks are backed up. It can take three to four months to get these through."

It's a "hot market," Alvarez said. "There are a lot of people getting into it that are probably not knowledgeable about real estate, but see an opportunity to make money from desperate families."

Contact Pete Carey at pcarey@mercurynews.com.

- If you are asked to pay in advance, check the Department of Real Estate's Web site to see if the service you're dealing with has permission to collect advance fees: www.dre.ca.gov/mlb_adv_fees.html or call (916) 227-0770.
- Ask to see the company's "no objection" letter from the Department of Real Estate.
- Carefully review the agreement and consider obtaining independent advice before signing it or advancing any fees.
- Compare the services and fees offered by other licensed brokers on the Department of Real Estate's list.
- Do not pay anyone in advance if you have already received a Notice of Default from your mortgage lender.
- Check with local non-profits that help people modify their loans without charge.
- Consider trying it yourself.
- Attorneys do not have to register with the state. Real estate brokers can help modify loans as long as their services are fully completed before they are paid.

Source: California Department of Real Estate

NONPROFITS THAT CAN HELP

These organizations offer free assistance to those facing foreclosure. Be warned, though, that they are overwhelmed with requests for help.

Project Sentinel: (408)720-9888, ext. 22 or go to its Web site: www.housing.org/contact_us.htm

Neighborhood Housing Services: Call (408) 279-2600 for an appointment.

Consumer Credit Counseling Service: Call (800) 540-2227 or go to its Web sites: www.gotdebt.org and

www.tengodeudas.org.

EPA Can Do: Call (650) 473-9838 or go to its Web site: [/home.earthlink.net/~maa1/epacando/](http://home.earthlink.net/~maa1/epacando/)

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