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# News from the New York State Consumer Protection Board

*Advocating for and Empowering NY Consumers*

David A. Paterson, Governor

Mindy A. Bockstein, Chairperson and Executive Director

## Press Release

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### **Statewide “Loan Modification Scam Alert” Campaign Launched As Part of NYS Consumer Protection Board’s Annual Consumer Action Day**

*Event Also Offered a Variety of Free, Confidential Assistance to New Yorkers*

The New York State Consumer Protection Board (CPB) today marked 2010 Consumer Action Day by joining with NeighborWorks America and other partners in the statewide launch of a “Loan Modification Scam Alert” campaign. The campaign provides homeowners facing the possibility of foreclosure with vital information to guard against loan modification scams, find trusted help and report illegal activity to authorities.

CPB Chairperson and Executive Director Mindy A. Bockstein was joined by representatives of NeighborWorks America, the Empire Justice Center and several State agencies at a press conference in Albany

With the national foreclosure rate at an all-time high of 8.85 percent, and the rate in New York near 7.78 percent, many homeowners have turned to loan modification or foreclosure “rescue” companies for help - only to realize that they’ve been scammed. These scam artists use slick advertising and sales pitches to bilk homeowners out of money, and often times their homes. The parties may pressure the homeowner to sign paperwork that they didn’t have time to read and understand, claim the process will be relatively quick, advise the homeowner not to contact a lawyer or their lender or falsely claim to be affiliated with the government.

“The current economic climate has provided fertile ground for con artists who seek to take advantage of desperate and distressed homeowners,” said Bockstein. “That’s why we’re alerting New Yorkers to the dangers of loan modification scams. If you’re having difficulty meeting your mortgage obligations and are facing foreclosure, be mindful of the red flags and aggressive tactics that may indicate suspicious activities. We urge you to access free foreclosure counseling services instead of going to a for-pay company which may actually accelerate foreclosure by making big promises but doing little or no work, redirecting mortgage payments or taking title to your home. ”

“Anybody can be a victim of a loan modification scam,” said Deborah Boatright, Northeast District Director of NeighborWorks America. “Too many New Yorkers are losing thousands of dollars and their homes to scam artists. Avoid anyone that asks for a fee in advance, which is often illegal, guarantees they can stop a foreclosure or modify a loan, or advises you to pay them and not your lender. Only your lender can modify your loan. Homeowners need to know that there are free services available to anyone seeking help from highly trained, highly qualified professionals in non-profit organizations throughout New York State.”

The Financial Crimes Enforcement Network reported in the third quarter of 2009, depository institutions submitted more than 15,000 mortgage loan fraud reports, a 7.5 percent increase over the same period in 2008. NYS ranked third in the number of reports. The FTC recently reported a rise in the number of fraud complaints involving foreclosure rescue services and loan modification consulting.

"Knowledge is the best defense against loan modification scams," said Kirsten E. Keefe, Senior Staff Attorney with the Empire Justice Center. "That's why it's so important to give homeowners the tools they need to avoid scams and obtain quality assistance from experienced housing counselors or legal service providers at no charge."

As part of the loan modification scam alert campaign, the CPB is partnering with several State agencies to get the word out.

"Unfortunately, with every crisis there are unscrupulous individuals who look for ways to take advantage, as we have seen with these scams. While New York State has taken strong measures to protect consumers on mortgage modifications, we believe that reaching and educating consumers about these dangers is an important and necessary step in our joint efforts to fight mortgage fraud and abuse," said Richard H. Neiman, Superintendent of Banks for New York State and chair of the Governor's HALT Task Force.

DHCR Acting Commissioner Brian Lawlor said, "I want to thank our agency partners, and NeighborWorks America for reaching out to help New Yorkers avoid foreclosure scams, which are becoming more sophisticated and aggressive every day. New York State has a comprehensive strategy to address the subprime foreclosure crisis, and no-cost, quality services from professional housing counselors and legal service providers are at the forefront of this effort. DHCR has funded housing counseling services in every part of the state and we urge homeowners with subprime mortgages to reach out at the first sign of trouble and to be wary of anyone who charges a fee or promises quick results."

"During these tough economic times, more and more New Yorkers are finding themselves in difficult financial straits," said Colleen Gardner, Acting Commissioner of Labor. "If you are having trouble making your mortgage payment, please go to a free counseling service for help. A for-pay company will be glad to take your money, but may not even help you."

"As the agency charged with licensing real estate brokers and salespeople, the Department of State is working hard to ensure that only the most trustworthy individuals are able to list and sell New York real estate," Secretary of State Lorraine Cortés-Vázquez said. "We want to make sure that New Yorkers can stay in their homes and don't feel threatened by unscrupulous agents, and that's why individuals who are unsure of their rights or feel vulnerable should take advantage of the resources offered by the state and its partners in consumer protection."

The launch of this awareness campaign follows the enactment of comprehensive foreclosure legislation by Governor David A. Paterson last year which provides additional critical protections for New York State homeowners, tenants and neighborhoods in the wake of the ongoing foreclosure crisis. These amendments, involving expanded notice to homeowners, tenants and the Banking Department, as well

as providing for mandatory settlement conferences for all home loan borrowers, build upon Governor Paterson's landmark subprime lending reform law of 2008. Under NYS law, a distressed property consultant must enter into a written contract with the homeowner, is prohibited from taking power of attorney from a homeowner and cannot take any upfront fees until having provided the services agreed to under the contract.

"The laws we have passed in New York have stood as a national model for foreclosure mitigation," said Governor Paterson. "This effort is about keeping New Yorkers in their homes and protecting them during this economic crisis."

New Yorkers facing foreclosure can find a free housing counselor by visiting the website of the [NYS Division of Housing and Community Renewal](#). For more information about the loan modification scam alert campaign or to report a scam, visit [www.loanscamalert.org](http://www.loanscamalert.org) or call 1-888-995-HOPE (4673).

The foreclosure press conference was the highlighted feature of the CPB's Consumer Action Day (CAD), where hundreds of New York consumers took advantage of information and direct services offered by more than thirty State, federal and not-for-profit agencies at the Empire State Plaza. The event was the kick off of New York State's commemoration of National Consumer Protection Week. "Consumer Action Day brings together many organizations to provide assistance and information to consumers," said Mindy A. Bockstein, CPB's Chairperson and Executive Director. "In these hard economic times, the CPB and its partners are striving to empower consumers with the information and tools they need to protect their safety, security and pocketbooks."

The CPB, established in 1970 by the New York State Legislature, is marking its 40th anniversary as the State's top consumer watchdog and think tank. The CPB's core mission is to protect New Yorkers by publicizing unscrupulous and questionable business practices and product recalls; conducting investigations and hearings; enforcing the "Do Not Call" law; researching issues; developing legislation; creating consumer education programs and materials; responding to individual marketplace complaints by securing voluntary agreements; and, representing the interests of consumers before the Public Service Commission and other State and federal agencies.

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*To file a consumer complaint with the NYS Consumer Protection Board (CPB), call our toll-free hotline at 800-697-1220 or visit the CPB's website at [www.nysconsumer.gov](http://www.nysconsumer.gov). In addition to the online complaint form, the website is home to important consumer safety information.*