

NEWS RELEASE



For Immediate Release
Dec. 29, 2010

Contact:

Ed Nelson, Ed@hocmn.org
(651) 659-9336 (office)
(651) 491-5131 (cell)

New Federal Trade Commission Rules Aim to Stop Mortgage Rescue Scams

Federal rules build on Minnesota's model of homeowner education, legislation

St. Paul, Minn. (Dec. 29, 2010) – The Minnesota Home Ownership Center is applauding new consumer protections issued by the Federal Trade Commission (FTC) aimed at ending mortgage modification scams, which go into effect today. Under the new Mortgage Assistance Relief Services (MARS) Rule, companies are barred from making false promises in their marketing and, beginning Jan. 31, will be prohibited from charging any up-front fees for their services.

“Minnesota homeowners are struggling to balance their mortgages with lost income and other challenges this holiday season. They should not have to be on the lookout for predatory foreclosure rescue scams on top of everything else,” noted Julie Gugin, executive director of the Minnesota Home Ownership Center, which is spearheading the *Look Before You Leap* campaign. “We applaud the FTC for issuing these consumer protection rules that will make it harder for predatory mortgage scams to operate in Minnesota and across the nation.”

Minnesota has been a leader in protecting homeowners from predatory modification companies, and this FTC rule closely mirrors ongoing work in the state. For example, the *Look Before You Leap* campaign, which launched in June 2010, engages a network of nearly 100 Minnesota business, nonprofit and government organizations to warn homeowners of the predatory tactics covered in the new FTC rule. The Minnesota legislature passed a 2008 law banning companies from charging up-front fees for loan modifications, which will be nationally replicated under this new rule.

The new rule requires mortgage modification companies to disclose key information to consumers, including:

- They are not associated with the government, and their services have not been approved by the government or the consumer's lender;
- The lender may not agree to change the consumer's loan; and
- If companies tell consumers to stop paying their mortgage, they must also tell them that they could lose their home and damage their credit rating as a result of this action.

The *Look Before You Leap* campaign has, through this public education effort, warned Minnesota homeowners to be on the lookout for companies that:

- Charge a fee for their service;
- Ask a homeowner to sign over a mortgage title or even power of attorney;
- Claim homeowners should stop paying their mortgage as part of the modification process;
- Claim homeowners should pay *them*, rather than their bank or servicer, during the modification process; or
- Promise a guaranteed outcome or claims they can help people in any situation.

Minnesota homeowners can access the state's Homeownership Advisors Network, a coalition of nearly 50 nonprofit organizations. Led by the Minnesota Home Ownership Center and sponsored by Minnesota Housing and other funders, the coalition provides free foreclosure prevention counseling services to Minnesotans. The Network has served approximately 45,000 homeowners since the foreclosure crisis began in 2007.

"The FTC rule is a major step in stopping the number of scamming companies targeting Minnesota homeowners," added Gugin. "But, ultimately, homeowners need to understand that these predatory companies do exist, and they need to be savvy when seeking outside help for a mortgage modification. That's why *Look Before You Leap* is continuing to educate homeowners about these real scams and encouraging them to turn to our Network for help they can trust."

Homeowners seeking assistance with a loan modification or who are worried about foreclosure are encouraged to contact the Homeownership Advisors Network. Homeowners can connect with a nonprofit counselor in their area at www.LookBeforeYouLeap.org or by calling (866) 462-6466.

###

Minnesota Home Ownership Center is a nonprofit organization that promotes successful and sustainable home ownership for low- and moderate-income Minnesotans through counseling and education services for first-time home buyers and those struggling with foreclosure. The Center leads a statewide network of more than 50 nonprofit partners across Minnesota.