



**District Attorney Kamala D. Harris ▪ Assessor-Recorder Phil Ting  
District 9 Supervisor David Campos ▪ District 10 Supervisor Sophie Maxwell**

# **PRESS RELEASE**

## **CITY OFFICIALS CRACK DOWN ON MORTGAGE SCAMS**

*Introduce Legislation to Regulate Loan Modification Consultants*

San Francisco, CA – Supervisors David Campos and Sophie Maxwell introduced legislation today initiated by Assessor-Recorder Phil Ting and District Attorney Kamala D. Harris to put an end to loan modification scams in San Francisco.

The Board of Supervisors ordinance would require a written contract outlining proposed services, prohibit loan modification consultants from collecting a fee before helping a homeowner obtain a favorable loan modification, and provide for enforcement with criminal penalties and a private cause of action for aggrieved homeowners.

“By introducing this measure San Francisco is showing leadership to stop a growing problem that is plaguing families across our City and throughout our state,” said District Attorney Kamala D. Harris.

“Recently we have seen an unprecedented number of San Francisco residents struggling to make their mortgage payments,” said Assessor-Recorder Phil Ting. “We need to make sure these homeowners are protected from unscrupulous mortgage consultants who prey on them and leave them worse off,” he said. Between 2006 and 2008, Ting’s office recorded a 121 percent increase in the number of Notices of Defaults in San Francisco. The number of foreclosures increased even more dramatically by 723 percent during that same time period.

“Corrupt mortgage modification consultants are preying on desperate homeowners by falsely promising to help them modify the terms of their mortgages,” explained Supervisor David Campos. “We are working to avoid more San Francisco residents from becoming victims of these scams.”

The San Francisco legislation would require consultants to provide homeowners with a written contract describing the mortgage modification services to be provided

before initiating those services. It would also mandate that the modified loan provide a tangible benefit for the homeowner – either a monthly loan payment reduction of at least 20 percent for a minimum of five years, or a monthly payment for housing expenses that does not exceed 31 percent of the owner’s monthly gross income for a minimum of five years.

“This legislation is extremely important because it gives borrowers more information about their options,” said Supervisor Sophie Maxwell.

The Ordinance makes homeowners aware that they can obtain the same loan modification services free of charge from HUD-certified nonprofit organizations.

Currently, the California State Legislature is considering two bills that would also regulate mortgage modification consultants. AB 764 (Nava) regulates the collection of advance fees for brokerage services by giving the Real Estate Commissioner the sole authority to create an advance fee agreement. SB 94 (Calderon) prohibits consultants claiming to help consumers obtain a loan modification from receiving up-front payment for their services unless they are a licensed real estate broker.

“Our legislation goes further by stipulating that mortgage modifications must have a tangible benefit for the homeowner. It also incorporates stiff consequences for violating the law,” explained Supervisor Campos.

Mortgage modification consultants that violate the proposed San Francisco law would be subject to criminal penalties and a private cause of action by the homeowner.

“Educating the public on how to protect themselves from paying for services they can obtain elsewhere for free is only half the battle,” said District Attorney Kamala D. Harris. “We need to make sure that there are real penalties in place for opportunists who prey on homeowners in their darkest hours.”

###