

The Federal Trade Commission (FTC) recently proposed a rule intended to protect distressed homeowners from foreclosure rescue and mortgage modification scams. The proposed rule is aimed at reining in companies who promise, in exchange for an up-front fee, to obtain mortgage loan modifications or other relief for consumers facing foreclosure. The rule would prohibit the charging of an up-front fee by mortgage relief companies.

FTC Chairman Jon Leibowitz stated, "The proposed rule would outlaw up-front fees so companies can't take the money and run."

Under the proposed rule, companies could not be paid until they had a documented offer from a mortgage lender or servicer that lives up to the promises they have made. With historic levels of consumer debt, high unemployment, and the extended and unprecedented downturn in the housing and mortgage markets, there have been extraordinarily high rates of mortgage loan delinquency and foreclosure. Regrettably, unscrupulous companies have been taking unfair advantage of many distressed homeowners, charging high up-front fees and then doing nothing to help the homeowners remain in their homes or deal with debt issues. Thus far, the FTC has pursued 28 enforcement actions against mortgage relief companies. The proposed rule would help ensure that mortgage relief companies actually provide some assistance to borrowers before taking a fee from these cash-strapped homeowners.