

BEWARE OF LOAN MODIFICATION COMPANIES and LOAN MODIFICATION COMPANIES BEWARE!!

Vulnerable mortgage and credit card debtors are prey to the ruthless individuals working under the pretense of companies with seemingly reputable and venerable names that engage in illegal and sometimes fraudulent loan modification services or, in some cases, NO SERVICES AT ALL. Many of these companies have defrauded such debtors out of THOUSANDS OF DOLLARS without obtaining any results whatsoever for the debtor, perhaps because no services were performed at all or such companies knew that there would be no modification to the loan but yet charged and accepted fees anyway from the debtor in advance.

For the past few months, the Attorney General of New Jersey filed lawsuits and imposed fines against several companies and individuals that were engaged in violations of these laws and other laws. The counts in the complaints ranged from violations of the Debt Adjuster Act (also known as the Debt Adjustment and Credit Counseling Act) to the Consumer Fraud Act. Search *Milgram v. United Credit*; *Milgram v. Hope Now Financial Services* and *Milgram v. New Hope Modifications*. See also the NJ Dept. of Banking & Insurance website warning consumers against loan modification companies.

Loan modification services in exchange for fees is ILLEGAL unless it is done by an attorney or a qualifying non-profit organization. See NJ Stat. Sec. 17:16G-1, et seq. Under this law, known as the Debt Adjuster Act, a "debt adjuster" is defined as any person who "acts or offers to act for a consideration as an intermediary between a debtor and his creditors for the purpose of settling, compounding, or otherwise altering the terms of payment of any debts of the debtor."

Bogus loan modification companies are charging exorbitant illegal fees ranging from \$2,000 to over \$3,500 because such companies are not attorneys. If debt adjuster work is done by a qualifying non-profit, then the fees are limited to a maximum \$60 per month to a non-profit credit counselor per consumer. See NJ Admin. Code Sec. 3:25-1.2. Also, any non-profit company must have a license and a \$50,000 bond to be permitted to perform debt adjustment services.

Loan modification is simply an area involving the practice of law; it's contract negotiation with a lender, which is why lawyers are permitted to charge their normal (but hopefully reasonable) legal fees for such services. See NJ Stat. Sec. 17:16G-1(c)(2)(a), which explicitly carves out an exception to the law known as the NJ Debt Adjuster Act. A violation of the NJ Debt Adjuster Act is a fourth degree offense and the fines start at \$1,000 for first offense and then \$5,000 for each subsequent offense. NJ Stat. Sec. 17:16G-8.

Therefore, CALL AN ATTORNEY before you give any money to any non-attorney that offers to modify your loan for a fee. But, for those of you non-attorneys who are engaged in loan modification work, STOP IT NOW, lest you violate the Debt Adjuster Act.

Please call my office at 609-799-0090 for guidance in this area and REAL LEGAL ADVICE to help you with your debt matters. Note that you may also be entitled to bankruptcy protection if necessary.