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CALIFORNIA SECTION

L.A. Council Votes to Tighten Rules on Mortgage Consultants

A new city ordinance will bar the consultants from demanding upfront fees from any homeowner -- not just those in default, who are protected under state law.

By Jessica Garrison

The Los Angeles City Council voted Tuesday to make it illegal for so-called mortgage consultants to charge an upfront fee for services when helping distressed homeowners try to modify their payments.

Mayor Antonio Villaraigosa touted the law as the first of its kind in the nation and said it was a tool to "help residents keep a roof over their heads."

State law already prohibits mortgage consultants from demanding upfront fees from homeowners who are in default, the first stage of foreclosure. The new Los Angeles law, which the council approved unanimously, will apply those protections to all homeowners.

As the housing crisis has worsened, signs advertising such services have sprouted across Southern California. Some of the services are legitimate, officials said, but others are not.

"We had seen too many cases of people who, in an already difficult situation, were persuaded to pay thousands of dollars to a so-called consultant who really didn't do anything" for

them, said Julie Wong, a spokeswoman for council President Eric Garcetti, who drafted the law.

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**- Leora Freedman,
Public Counsel**

Other provisions of the law require a written contract between mortgage consultant and homeowner, which homeowners have a right to cancel within seven days, and forbid mortgage consultants from taking a lien on personal property as a form of payment.

Leora Freedman, a staff attorney from the Consumer Law Project at Public Counsel, said in a statement that the new law will protect consumers from being exploited by "the latest scammers."

"Honest help is available, and it is free," she said. "The city's ordinance will ensure that our residents don't throw any more good money after bad."

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