



California Department of Business Oversight

## Consumer Alert

In light of recent events, the Department of Business Oversight (DBO) urges consumers and investors to be alert to scams and unlawful activities in the investment and other financial services industries. The DBO encourages investors to carefully investigate any potential investment opportunities at a time when unscrupulous actors will likely try to exploit heightened economic anxieties. Consumers and investors can submit complaints to the DBO at <https://dbo.ca.gov/file-a-complaint/>.

### Loan Modification and Foreclosure Scams

Homeowners facing foreclosure should be aware of these common scams:

**Deed-Transferring to Third Party** – Scammers have told homeowners that by transferring the deed to their home to a third party, they will no longer be responsible for their mortgage payments. This is **NOT** true. **Transferring a title does not relieve a borrower from their mortgage payments.** Scam artists often ask for up-front fees to make the deed transfer and promise to rent the house back to the homeowner until the homeowner can afford to buy the house back. If you are facing foreclosure, investigate payment options with your mortgage servicer and do NOT sign your property away.

**Intentional Default** – Scam artists urge homeowners to not pay their mortgage in order to get a loan modification. While there is no right to a loan modification, **the terms and standards for a loan modification are always determined by the mortgage loan servicer – no one else.** If you are having difficulty making mortgage payments, you should contact your mortgage servicer directly or contact a HUD certified counselor (888-995-4673) for help.

Banks, credit unions, and mortgage lenders and servicers also have agreed to allow homeowners impacted by the COVID-19 pandemic to delay or reduce their mortgage payments for up to three months. See the DBO's COVID-19 Updates page at <https://dbo.ca.gov/2020/03/25/covid19/>

## Lending Scams

**Advance Fee Scams** – The DBO encourages consumers in need of cash to avoid advance fee scams in which fraudulent companies promise loans if a consumer pays a substantial up-front fee first. Do NOT pay anyone asking for upfront/advance fees for loan modification services or mortgage forbearance services. Contact the California Department of Real Estate (DRE) immediately at 877-373-4542. Advance fees for loan modifications are **NOT** legal in California. In addition, collecting late fees is prohibited while a loan modification application is under review, a denial is being appealed, or a borrower is making timely payments.

## Investment Related Scams

The DBO encourages investors to be wary of investment schemes promoting cures in connection with the current public health emergency, or other investment opportunities related to the economic downturn. Schemes may attempt to convince investors to liquidate their savings or sell their current holdings to purchase overvalued assets, assets that come with very high fees or assets of uncertain or questionable value, such as cryptocurrencies or precious metals.

**Pension Advance Scams** - The scam involves investors who provide funds to make cash advances and pensioners who are willing to turn over future pension payments in exchange for an immediate lump sum cash payment.

**Opportunity Zones** - An Opportunity Zone is an economically distressed community where new investments, under certain conditions, may be eligible for preferential tax treatment. These types of investments are available only through a Qualified Opportunity Fund (QOF). A QOF may invest in property or a business located in an opportunity zone. Investors considering these investments should consult with their qualified tax adviser because of the complex tax implications. Just because the property is located within an opportunity zone does not automatically make it a good investment. To the contrary, opportunity zones are economically distressed areas which pose additional risks.

## Check Before You Invest

The Department of Business Oversight encourages consumers to check the licensing status of companies prior to transacting business. California consumers should contact the Department to check on the licensing of companies offering loans, investments, or other financial services. This can be done by visiting the Licensee listing on the DBO website or calling the Department's toll-free Consumer Services Office at (866) 275-2677.

## How to Protect Yourself:

- Before investing in any investment, ask questions about the risks and fees involved. Conduct your own independent research or seek the opinion of a financial professional who is registered with your local securities regulator.
- Never invest in something you don't fully understand. Do not agree to participate in a general partnership or joint venture if you have no specific experience, knowledge or education in the type of business and would have to rely on others' expertise.
- Beware of sales techniques that include repeated phone calls, cold calls, or high-pressure sales pitches hyping the profitability of the deal or promising a sure thing.
- Do not be fooled by professional-looking websites boasting current productivity levels and profits and featuring photos of new production sites.

