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With the economy still depressed and unemployment relatively high – especially among African-Americans – officials are warning homeowners to beware of loan modification scams. Loan modification is a technique used to renegotiate the original terms of a home mortgage. It is much like refinancing, with the major difference being with refinancing; generally the homeowner is in good standing with the primary lender and is current on mortgage payments. With a loan modification, the homeowner is either in or near foreclosure. Oftentimes, the homeowner is "underwater" on the loan, meaning the amount owed on the home is greater than what the home is worth.

With those in or near foreclosure, a loan modification may be the only way the homeowner can remain in the home. But Minnesota Commerce Commissioner Mike Rothman said there are people out to prey on desperate homeowners. Rothman said his department is stepping up its efforts to educate Minnesota homeowners and assist in finding creditable loan modification resources.

"I have a zero tolerance for those who prey on Minnesota consumers with predatory loans, phony loan modifications and other scams," said Rothman.

Rothman called out the outfit, Save My Home USA by name. He said the company bilked 118 homeowners out of nearly $300,000 promising loan modification assistance but did none of the sort. The Commerce Commissioner said Save My Home USA is no longer allowed to do business in Minnesota.

According to Rothman, during the recession nearly 136,000 Minnesota homes have fallen into foreclosure. Rothman, who was appointed to his post by Gov. Mark Dayton, said the elderly are among the most vulnerable to lending scams.

"Talk to elderly who maybe have had a loss of their cognitive skills and help them avoid scams," said Rothman. "Talk to the doctors and accountants of those who may be vulnerable."

Congressman Keith Ellison (MN-5) said for those facing foreclosure all is not lost and help is available.

"My office worked with a constituent who owed $20,000 on her home and was in foreclosure," said Ellison. "We worked with the constituent and the bank to help her stay in her home and now she owns it outright. We can't guarantee you an outcome, but we can guarantee you our effort."

Ellison said in addition to his office, help can be found via community organizations such as the Jewish Community Action and Northside Community Reinvestment Coalition.

"If you're facing foreclosure, don't feel like all is lost. There are people here to help," said Ellison.

According to the Congressman, African-Americans' wealth plunged 53 percent due to the housing crisis. Ellison said much of African-Americans' financial worth is tied to the equities in their homes. He went on to admonish primary lenders for preying on potential homebuyers with high interest, adjustable rate loans.

"The foreclosure crisis did not happen because ordinary citizens tricked banks into giving them predatory loans," said Ellison. "(The banks) didn't care if you were going to make good on the loan because the banks were going to sell it on the secondary market anyway."

Ellison said he is calling on Congress to greater regulate banks and lenders.

Rothman said there are things consumers can do to avoid becoming victims to scams. He suggests first, contacting the mortgage company directly to try and make payment arrangements or modifications. In addition, Rothman said never pay advance fees to anyone offering loan modification assistance. He said consumers can get free assistance from the Minnesota Homeownership Center. The Commissioner said if someone feels they have been fallen victim to scam or fraud, contact his office at (800) 657-3602 or online at www.mn.gov/commerce .