

Tips for Avoiding Mortgage Foreclosure Scams

Beware of Unethical Mortgage Foreclosure Operators

A fairly new and dangerous threat has arisen for homeowners who have fallen behind on their mortgage payments and may be at risk of foreclosure – opportunistic companies calling themselves "foreclosure rescue operators." They often refer to themselves as a "foreclosure consultant" or "mortgage consultant," and market themselves as a "foreclosure service" or "foreclosure rescue agency." They count on homeowners being vulnerable and desperate.

These companies claim they can assist homeowners facing foreclosure with options that allow them to keep their property, refinance or modify an existing mortgage, repair credit or help "buy more time." In reality, these "options" are intended by foreclosure rescue scam operators to convince you to take the wrong steps so they can take your money and possibly your home.

But, remember the old saying, "If it's too good to be true, it probably is."

Be safe. It is important that you take action by contacting your mortgage lender – or any legitimate financial counselor – to find real options to avoid foreclosure. If someone offers to negotiate with your lender and offers to arrange to stop or delay foreclosure for a fee, carefully check his or her credentials, reputation, and experience. A number of agencies provide free counseling services to homeowners who are having trouble making ends meet (see "Protect Yourself and Resources Sections"). These agencies can help you explore your options, which may range from modifying your loan to refinancing your loan to selling your home and using any equity to start over.

Watch Out for Foreclosure Scams

Lease-Back or Repurchase Scams – In this scenario, a promise is made to pay off your delinquent mortgage, repair your credit and possibly pay off credit cards and other debt. However, in order to do this, you must "temporarily" sign your deed over to a "third party" investor. You are allowed to stay in the home as a renter with the option to purchase the home back after a certain amount of time has passed or your financial situation improves.

The trouble is once you have signed away your rights in your property, you may not be able to repurchase the property later, even if you can and want to. After the new owner takes ownership of your property, the new owner can evict you. Furthermore, the scammer is under no obligation to sell the house back to you. Typically, after the deed is signed away, the property changes hands numerous times. The scammer may have taken a new mortgage out on your home for hundreds of thousands of dollars more than your mortgage, making it impossible for you to buy back your home.

Partial Interest Bankruptcy Scams – A scam operator may ask you to give a partial interest in your home to one or more persons. You then make mortgage payments to the scam operator in

lieu of paying the delinquent mortgage. However the scam operator does not pay the existing mortgage or seek new financing. Each holder of a partial interest then files bankruptcy, one after another, without your knowledge. The bankruptcy court will issue a “stay” order each time to stop foreclosure temporarily. However, the stay does not excuse you from making payments or from repaying the full amount of your loan. This complicates and delays foreclosure, while allowing the scam operator to maintain a stream of income by collecting payments from you, the victim.

Bankruptcy laws provide important protections to consumers. Scams can only temporarily delay foreclosure, and they may keep you from using bankruptcy laws legitimately to address your financial problems.

Refinance Scams – While there are legitimate refinancing programs available, including through the federal government, look out for people posing as mortgage brokers or lenders and offering to refinance your loan so you can afford the payments. The scammer presents you with “foreclosure rescue” loan documents to sign. You are told that the documents are for a refinance loan that will bring the mortgage current. What you don’t realize is that you are surrendering ownership of your home. The “loan” documents are actually deed transfer documents, and the scammer counts on your not actually reading the paperwork. Once the deed transfer is executed, you believe your home has been rescued from foreclosure for months or even years until you receive an eviction notice and discover you no longer own your home. At that point, it is often too late to do anything about the deed transfer.

Internet and Phone Scams - Some scam lenders convince you to apply for a low-interest mortgage loan on the phone or Internet. They then extract vital information, such as your social security and bank account numbers. In this scam, the loan is immediately accepted, after which you start faxing the documents and sending wire transfer payments to the phony company without even meeting the lender. Unfortunately, this scam will put you in twice as much trouble- your personal details have been stolen or sold, putting you at risk of identity theft, and your home is still at risk of foreclosure.

Phantom Help Scams -The scam operator presents himself as someone who is able to counsel or help a homeowner out of foreclosure. In exchange for his or her “services,” outrageous fees are charged and grand promises are made for robust representation, which never occurs. The “services” performed entail light paperwork or occasional phone calls that you could easily have made yourself. In the end, you are worse off than before, because you have little or no time to save your home, or seek other assistance.

Protect Yourself

Know with whom you are dealing. Before you hand over any money or provide any personal information, check out the company or person. You can check your local Better Business Bureau® or state consumer protection office to see if the company or organization is legitimate and if any complaints have been filed.

Contact reputable non-profit housing or financial counselors, such as those you can find by contacting the:

- U.S. Department of Housing and Urban Development (HUD) at (800) 560-4287 or www.hud.gov
- Homeownership Preservation Foundation at (888) 995-HOPE or www.995hope.org.

Know what you are signing. Read and understand every document you sign. If a document is too complex, seek advice from a lawyer or trusted financial counselor. Never sign documents with blank spaces that can be filled in later. Never sign a document that contains errors or false statements, even if someone promises to correct them later.

Get promises in writing. Oral promises and agreements relating to your home are usually not legally binding. Protect your rights with a written document or contract signed by the person making the promise. Keep copies of all documents you sign.

Make your mortgage payments directly to your lender or the mortgage servicer. Do not trust anyone else to make mortgage payments for you.

Never sign over your deed until you clearly understand what will happen to your rights to your home. Foreclosure scams often require you to “temporarily” sign over ownership of your home to another claiming it would be only as a means to help you. Instead contact only legitimate, well known entities who specialize in assisting homeowners with mortgage problems such as a HUD-approved homeowner counseling agency.

Report suspicious activity to the Federal Trade Commission, your State Attorney General’s Office or your state and local consumer protection agencies. Reporting con artists and suspicious schemes helps prevent others from becoming victims.

Caught in a Foreclosure Scam?

If you get caught in one of these scams, it is imperative that you contact a lawyer right away. An attorney can assist you as you navigate your way through eviction hearings. Lower income individuals may be able to find free legal services; see <http://www.findlegalhelp.org>.

If you believe that you are the victim of criminal activity, such as forged documents being presented for your signature, you should contact your local law enforcement agency.

Warning signs that you may be dealing with a mortgage foreclosure scam operator include if the company:

- Demands a fee in advance. No legitimate organization that works with borrowers to avoid foreclosure will ever ask for money up front.
- Makes unsolicited offers or “lofty advertisements, claiming they can help save your home.

- Recommends you break off contact with the lender and any counselor that you may have been working with.
- Advises you to stop making mortgage payments.
- Tells you to send your mortgage payment to anyone other than your loan servicer.
- Instructs you to transfer ownership of your property.
- Makes verbal promises that aren't put in writing.
- Asks you to sign a document that has blank lines or spaces.

General Resources

FDIC Foreclosure Prevention Website

www.fdic.gov/consumers/loans/prevention/
 (877) ASK-FDIC or (877) 275-3342

Mortgage Modification and Refinance Programs

- Making Home Affordable, <http://www.makinghomeaffordable.gov/>
- HOPE for Homeowners (H4H), www.hud.gov
 (800) CALL-FHA or (800) 225-5342

Foreclosure Mitigation Assistance and Counseling

- U.S. Department of Housing and Urban Development
www.hud.gov
 (800) 569-4287
- Homeownership Preservation Foundation
www.995hope.org
 (800) 995-HOPE
- NeighborWorks America
www.findaforeclosurecounselor.org/ or www.neighborworks.org
 Report Foreclosure Scams
- Federal Trade Commission www.ftc.gov.
- State Attorney General Contact List
www.naag.org/attorneys_general.php
- State, County and City Consumer Protection Offices
www.consumeraction.gov/state.shtml