



**Federal Deposit Insurance Corporation**  
550 17th Street NW, Washington, D.C. 20429-9990

**Financial Institution Letter**  
**FIL-54-2009**  
**September 16, 2009**

## **FDIC LAUNCHES FORECLOSURE PREVENTION INITIATIVE**

**Summary:** The FDIC is launching an initiative to help consumers and the banking industry avoid unnecessary foreclosures and stop foreclosure “rescue” scams that promise false hope to consumers at risk of losing their homes. This initiative includes outreach, referral services, and an information tool kit. Raising consumers’ awareness of foreclosure “rescue” scams will give borrowers more confidence in knowing they are working with legitimate counselors and servicers to obtain a loan modification that could help them avoid foreclosure.

**Distribution:**

FDIC-Supervised Banks (Commercial and Savings)

**Suggested Routing:**

Chief Executive Officer  
Chief Lending Officer  
Chief Compliance Officer

**Attachment:**

None

**Contact:**

Beverlea S. Gardner, Senior Examination Specialist, FDIC Division of Supervision and Consumer Protection at [BGardner@FDIC.gov](mailto:BGardner@FDIC.gov) or (202) 898-3640  
Luke W. Reynolds, Chief, Outreach & Program Development, FDIC Division of Supervision and Consumer Protection, at [LuReynolds@FDIC.gov](mailto:LuReynolds@FDIC.gov) or (202) 898-6724

**Note:**

FDIC financial institution letters (FILs) may be accessed from the FDIC’s Web site at [www.fdic.gov/news/news/financial/2009/index.html](http://www.fdic.gov/news/news/financial/2009/index.html).

To receive FILs electronically, please visit <http://www.fdic.gov/about/subscriptions/fil.html>.

Paper copies of FDIC financial institution letters may be obtained through the FDIC’s Public Information Center, 3501 Fairfax Drive, E-1002, Arlington, VA 22226 (1-877-275-3342 or 703-562-2200).

**Highlights:**

- Borrowers may be able to avoid foreclosure by obtaining a loan modification. Modifications that result in sustainable mortgage payments can be financially beneficial to both consumers and lenders/investors.
- Foreclosure “rescue” scams undermine legitimate efforts to avoid foreclosure and can be costly for consumers and financial institutions.
- The FDIC’s multi-part foreclosure prevention initiative to avoid foreclosure and help stop foreclosure “rescue” scams includes:
  - Outreach events for bankers and consumers.
  - A telephone and Internet referral service via the FDIC’s Call Center at 1-877-275-3342 or [www.FDIC.gov](http://www.FDIC.gov), which directs consumers to legitimate counselors, mortgage servicers, and state and federal law enforcement agencies.
  - An information tool kit that is available at <http://www.fdic.gov/foreclosureprevention> and includes:
    - *Is Foreclosure Knocking at Your Door?* brochure
    - *Beware of Foreclosure Rescue Scams* brochure
    - *FDIC Consumer News*, Spring 2009, with articles on getting a loan modification and avoiding foreclosure “rescue” scams
    - *Your Own Home* module in the FDIC’s *Money Smart* adult financial education curriculum.

## **FDIC LAUNCHES A FORECLOSURE PREVENTION INITIATIVE**

Avoiding unnecessary foreclosure can be in the best financial interest of both borrowers and the financial industry. To address the continuing foreclosure problem, the FDIC is launching a foreclosure prevention initiative to help consumers and the banking industry avoid unnecessary foreclosures and stop foreclosure “rescue” scams that promise false hope to borrowers.

Many borrowers finding it difficult to make their mortgage payments might be able to avoid foreclosure by obtaining a loan modification. The FDIC supports loan modification programs that result in long-term sustainable payments the borrowers can afford such as the *Making Home Affordable* program. Such programs can be mutually beneficial, as borrowers save their home from foreclosure while banks or investors obtain an improved return from the modification compared to foreclosure.

Unfortunately, these efforts are being undermined by foreclosure “rescue” scams. Individuals or organizations perpetrating these schemes claim they will assist homeowners at risk of foreclosure to stay in their home or minimize damage to their credit report, and often require the payment of a large up-front fee. While some of these activities may be legal, they provide services that either can be obtained for free or are unnecessary to obtain a modification from a lender or servicer. For example, the *Making Home Affordable* program does not permit lenders or servicers to charge consumers a fee for a loan modification. In addition, foreclosure “rescue” scams can cause banks or investors to lose money, as some fraudsters instruct the homeowner to send future loan payments to them rather than the lender or servicer, or to pay other monies to them that could have been used to bring the mortgage loan current.

To help avoid foreclosure and stop foreclosure “rescue” scams, the FDIC’s foreclosure prevention initiative includes outreach, a referral service and an information tool kit. The tool kit is available at <http://www.fdic.gov/foreclosureprevention> and features:

- *Is Foreclosure Knocking at Your Door?* brochure, which encourages consumers facing financing difficulties to contact their servicer, apply for a loan modification, and talk to a counselor. The brochure is available electronically and in print.
- *Beware of Foreclosure Rescue Scams* brochure, which provides consumers information on common scams, tips on detecting a fraudulent deal, and legitimate resources for help and to report criminal activity. The brochure is available electronically and in print.
- *FDIC Consumer News, Spring 2009 edition*, which offers tips and advice to consumers on avoiding foreclosure with a loan modification and preventing foreclosure “rescue” scams.
- *Your Own Home* module of the FDIC’s *Money Smart* curriculum, which includes information on foreclosure “rescue” scams and directs consumers to legitimate sources for foreclosure prevention help.

Consumers are encouraged to report questionable activities, including solicitations or offers, to their servicer and state and federal authorities. Consumers can contact the FDIC Call Center at 1-877-ASK-FDIC (1-877-275-3342) or through [www.fdic.gov](http://www.fdic.gov) to be referred to the appropriate state and federal law enforcement agency to report scams. Consumers having difficulty reaching their servicer can also contact the FDIC Call Center for assistance in contacting their servicer or the appropriate state or federal regulator. The FDIC will follow up on complaints regarding FDIC-supervised institutions.

The FDIC encourages institutions to help raise consumers' awareness of foreclosure "rescue" scams. In addition to benefiting their communities and mitigating losses, financial institutions may receive positive consideration under the Community Reinvestment Act for these efforts.

Institutions may refer to the FinCEN Advisory FIN-2009-A001, *Guidance to Financial Institutions on Filing Suspicious Activity Reports regarding Loan Modification/Foreclosure Rescue Scams*, for a list of potential indicators of loan modification/foreclosure "rescue" scams. Financial institutions should act promptly when they believe fraudulent or improper activities have occurred. Appropriate actions may include, but are not limited to, filing a Suspicious Activity Report, reporting the activity to the Federal Trade Commission, and alerting appropriate law enforcement officials.

The FDIC continues to work with the banking industry, law enforcement, as well as community-based and consumer organizations to avoid unnecessary foreclosures and help stop foreclosure "rescue" scams, particularly in underserved communities. The FDIC also is participating in or organizing more than 50 outreach events during 2009 to provide information on avoiding unnecessary foreclosure and stopping foreclosure "rescue" scams.

Sandra L. Thompson  
Director  
Division of Supervision and Consumer Protection