

Protecting Wisconsin Consumers for 75 Years

Mortgage assistance relief scams

The possibility of losing your home to foreclosure can be terrifying. The reality that scam artists are preying on desperate homeowners is equally frightening. Some companies say they change your loan to reduce your monthly mortgage payment or take other steps to save your home. Others claim nearly all their customers get successful results and even offer a money-back guarantee. While others say they are affiliated with the government or your lender, and still others promise the help of attorneys or real estate experts.

Unfortunately, many companies use half-truths and even outright lies to sell their services. They do not deliver on promised relief. In fact, many of these companies leave their homeowner customers in worse financial shape.

The federal Mortgage Assistance Relief Services (MARS) rule and state law makes it illegal for companies to collect any fees until a homeowner has actually received an offer of relief from his or her lender and accepted it. That means even if you agree to have a company help you, you do not have to pay until it gets you the result you want. Even if the foreclosure process has already

begun, you have rights, and legitimate help is available.

How the scams work

Scam artists use a variety of tactics to find homeowners in distress. Some sift through public foreclosure notices in newspapers, on the Internet, or at local government offices. Then, they send personalized letters to homeowners. Others take a broader approach through ads on the Internet, television, radio, or in newspapers; posters on telephone poles, median strips, and at bus stops; or flyers, business cards, or people at your front door. The scam artists use simple – but potentially deceptive – messages like:

"Stop foreclosure now!"

"Get a loan modification!"

"100% Money Back Guarantee."

"We have special relationships with banks that can speed up the approval process."

"Over 90% of our customers get results."

"Keep Your Home. We know your home is scheduled to be sold. No Problem!"

Examples of scams

Once they have your attention, they use a variety of tactics to get your money. By knowing how their scams work, you will be better able to defend against fraud.

- **Phony counseling or phantom help** – The scam artists say if you pay them a fee, they will negotiate a deal with your lender to reduce your mortgage payments or to save your home. They may claim to be attorneys or represent a law firm and tell you not to contact your lender, lawyer, or credit counselor. They promise to handle all the details once you pay them a fee. Then, they stop returning your calls and take off with your money.

Sometimes, phony counselors insist you make your mortgage payments directly to them while they negotiate with the lender. They may collect a few months of payments and then disappear.

- **The "forensic audit"** – In exchange for an upfront fee, so-called forensic loan "auditors," mortgage loan "auditors," or foreclosure prevention "auditors" offer to have an attorney or other expert review

your mortgage documents to determine if your lender complied with the law. The "auditors" say you can use their report to avoid foreclosure, speed up the loan modification process, reduce what you owe, or even cancel your loan. In fact, there is no evidence that forensic loan audits will help you get a loan modification or any other mortgage relief.

- **Rent-to-buy schemes** – Scam artists who use the rent-to-buy scheme tell you to surrender the title to your house as part of a deal that allows you to stay there as a renter and buy it back later. They say surrendering the title will let a borrower with a better credit rating get new financing and prevent the loss of the home. However, the terms of these deals usually are so expensive that buying back your home becomes impossible. You lose the house and the scam artist walks off with the money you put into it. Worse, when the new borrower defaults on the loan, you are the one who is evicted.

In a variation, the scam artist raises the rent over time so you cannot afford it. After missing several rent payments, you are evicted, leaving the "rescuer" free to sell the house.

- **Equity-skimming** – Fraudsters offer to find a buyer for your home, but only if you sign over the deed and move out. They promise to pay you a portion of the profit when the home sells. Once you transfer the deed, they simply rent out the home and pocket the proceeds while your lender goes ahead with the

foreclosure. The result: You lose your home and you are still responsible for the unpaid mortgage because transferring the deed does nothing to transfer what you owe on the mortgage.

- **Bait-and-switch** – In a bait-and-switch scam, scam artists give you papers they claim you need to sign to get another loan to make your mortgage current. But buried in the stack is a document that surrenders the title to your house to the scammers in exchange for a "rescue" loan.

Know your rights

Federal and state laws give you rights and set requirements for people who sell mortgage assistance relief services. If a company does not follow these rules, it could be trying to scam you:

- You do not have to pay any money until the company delivers the results you want. It is illegal for a company to charge you a penny until:
 1. It has given you a written offer for a loan modification or other relief from your lender.
 2. You accept the offer. The company also must give you a document from your lender showing the changes to your loan if you decide to accept your lender's offer. And the company must clearly tell you the total fee it will charge you for its services.
- Companies must disclose key information. Advertisements and telemarketing calls need to

including the following information:

1. The company is not associated with the government, and their services have not been approved by the government or your lender.
2. Your lender may not agree to change your loan.
3. If a company tells you to stop paying your mortgage, it also has to warn you that doing so could result in your losing your home and damaging your credit.
4. Companies cannot tell you to stop talking to your lender. You should always feel free to contact your lender directly to see whether they can offer you additional options. Companies that tell you otherwise are breaking the law.

Getting help from a lawyer

Some lawyers may offer to help you get a loan modification or other mortgage relief. Under the federal rule, lawyers can require you to pay an upfront fee, but only if:

- They are licensed to practice law in the state where you live or your house is located.
- They are providing you with real legal services.
- They are complying with state ethics requirements for attorneys.
- They place the money in a client trust account, withdraw

fees only as they complete actual legal services, and notify you of each withdrawal.

Unfortunately, some people advertising mortgage assistance relief services falsely claim to be getting you help from lawyers. Before you hire someone who claims to be an attorney or claims to work with attorneys, do your homework:

- Get the name of each attorney who will be helping you, the state or states where the attorney is licensed, and the attorney's license number in each state. Each state has a licensing organization – or "bar" – that monitors attorney conduct. Call the Wisconsin State Bar at 1-800-728-7788 or check its website, www.wisbar.org, to see if an attorney is licensed or had complaints filed against them.
- Ask relatives, friends, and others you trust for the name of an attorney with a proven record of getting help for homeowners facing foreclosure.
- Beware of attorneys who make bold promises or try to pressure you into hiring them.

Warning signs

If you are looking for a loan modification or other help to save your home, avoid any business that:

- Guarantees to get you a loan modification or stop the foreclosure process – no matter what your circumstances.
- Tells you not to contact your lender, lawyer, or housing counselor.

- Claims that all or most of its customers get loan modifications or mortgage relief.
- Asks for an upfront fee before providing you with any services (unless it is a lawyer you have checked out thoroughly).
- Accepts payment only by cashier's check or wire transfer.
- Encourages you to lease your home so you can buy it back over time.
- Tells you to make your mortgage payments directly to it, rather than your lender.
- Tells you to transfer your property deed or title to it.
- Offers to buy your house for cash for much lower than the selling price of similar houses in your neighborhood.
- Pressures you to sign papers you have not had a chance to read thoroughly or that you do not understand.

Where to find legitimate help

If you are having trouble paying your mortgage or have received a foreclosure notice, contact your lender immediately. You may be able to negotiate a new repayment schedule.

You also may contact a credit counselor through the Homeownership Preservation Foundation (HPF), a nonprofit organization that operates the national 24/7 toll-free hotline (1-888-995-HOPE) with bilingual, personalized assistance to help

at-risk homeowners avoid foreclosure. HPF is a member of the HOPE NOW Alliance of mortgage servicers, mortgage market participants and counselors. More information about HOPE NOW is at hopenow.com.

For more information

To check on a company's validity, file a fraud complaint, or for further information contact:

**Division of Banking
Dept. of Financial Institutions
201 W Washington Ave
Madison WI 53703**

WEBSITE: wdfi.org

(800) 452-3328 / (608) 261-7578

(Information taken from FTC fact sheet "Mortgage Assistance Relief Scams" 05/2012)

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