

Mortgage Relief Scams

By: Federal Trade Commission

The possibility of losing your home to foreclosure can be terrifying. The reality that scam artists are preying on desperate homeowners is equally frightening. Many companies say they can get a change to your loan that will reduce your monthly mortgage payment or take other steps to save your home. Some claim that nearly all their customers get successful results and even offer a money-back guarantee. Others say they're 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 promise relief, but don't deliver. In fact, many of these companies leave their homeowner customers in worse financial shape.

The Federal Trade Commission (FTC), the nation's consumer protection agency, has a Rule in place to protect homeowners. The Mortgage Assistance Relief Services (MARS) Rule 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 don't have to pay until it gets you the result you want.

If you're struggling to make mortgage payments or facing foreclosure, the FTC wants you to know how to recognize a mortgage assistance relief scam and exercise your rights under the new Rule. And even if the foreclosure process has already begun, the FTC and its law enforcement partners want you to know that legitimate options are available to help save your home.

How the Scams Work

Fraudsters use a variety of tactics to find homeowners in distress. Some sift through public foreclosure notices in newspapers and on the internet or through public files at local government offices, and then send personalized letters to homeowners. Others take a broader approach through ads on the internet, on television or 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!”

“Over 90% of our customers get results.”

“100% Money Back Gaurantee.”

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

Phony Counseling or Phantom Help

The scam artists tell you that if you pay them a fee, they'll 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. They may 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 the loan modification process, reduce what you owe, or even cancel your loan. In fact, there's no evidence that forensic loan audits will help you get a loan modification or any other mortgage relief.

Rent-to-Buy Schemes

Con 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 that surrendering the title will let a borrower with a better credit rating get new financing and prevent the loss of the home. But 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're the one who's evicted.

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

In a similar equity-skimming scam, 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're 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, con 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

The FTC's MARS Rule gives you rights – and sets out requirements for people who sell mortgage assistance relief services:

You don't have to pay any money until the company delivers the results you want.

It's illegal for a company to charge you a penny until:

1. it's given you a written offer for a loan modification or other relief from your lender; and
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.

The Rule requires companies to spell out important information in their advertisements and telemarketing calls, including that:

- They're not associated with the government, and their services have not been approved by the government or your lender;
- Your lender may not agree to change your loan;
- 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.
- Companies can't 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.

If a company doesn't follow these rules, it could be trying to scam you.

Getting Help from a Lawyer

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

- They're licensed to practice law in the state where you live or your house is located;
- They're providing you with real legal services;
- They're complying with state ethics requirements for attorneys; and
- 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. So 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'll be helping you, the state or states where the attorney is licensed, and the attorney's license number in each state. Your state has a licensing organization – or "bar" – that monitors attorney conduct. Call your state bar or check its website to see if an attorney you're thinking of hiring has gotten into trouble. The National Organization of Bar Counsel has links to your state bar. 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're 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's a lawyer you've 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; or
- pressures you to sign papers you haven't had a chance to read thoroughly or that you don't understand.

Where to Find Legitimate Help

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

Consider other foreclosure prevention options, including reinstatement and forbearance.

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 free, 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.

Report Fraud

If you think you've been the victim of foreclosure fraud, contact the Federal Trade Commission, your state Attorney General's office, or the Better Business Bureau.