

FTC Facts

For Consumers



FEDERAL TRADE COMMISSION
FOR THE CONSUMER

www.ftc.gov ■ 1-877-ftc-help

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Foreclosure Rescue Scams: *Another Potential Stress for Homeowners in Distress*

The possibility of losing your home to foreclosure can be terrifying. The reality that scam artists are preying on the vulnerability of desperate homeowners is equally frightening. Many so-called foreclosure rescue companies or foreclosure assistance firms claim they can help you save your home. Some are brazen enough to offer a money-back guarantee. Unfortunately, once most of these foreclosure fraudsters take your money, they leave you much the worse for wear.

Fraudulent foreclosure “rescue” professionals use half truths and outright lies to sell services that promise relief and then fail to deliver. Their goal is to make a quick profit through fees or mortgage payments they collect from you, but do not pass on to the lender. Sometimes, they assume ownership of your property by deceiving you, the homeowner. Then, when it’s too late to save your home, they take the property or siphon off the equity. You’ve lost your home to foreclosure despite your best intentions.

If you think you may be facing foreclosure, the Federal Trade Commission (FTC), the nation’s consumer protection agency, wants you to know how to recognize a foreclosure rescue scam. 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 you save your home.



HOW THE SCAMS WORK

Foreclosure rescue firms 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 in the newspaper, posters on telephone poles, median strips and at bus stops, or flyers or business cards at your front door.

The scam artists use simple and straight-forward messages, like:

“Stop Foreclosure Now!”

“We guarantee to stop your foreclosure.”

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

“We have special relationships within many banks that can speed up case approvals.”

“We Can Save Your Home. Guaranteed. Free Consultation”

“We stop foreclosures everyday. Our team of professionals can stop yours this week!”

Once they have your attention, they use a variety of tactics to get your money:

Phony Counseling or Phantom Help

The scam artist tells you that he can negotiate a deal with your lender to save your house if you pay a fee first. You may be told not to contact your lender, lawyer, or credit counselor, and to let the scam artist handle all the details.

Once you pay the fee, the scam artist takes off with your money.

Sometimes, the scam artist insists that you make all mortgage payments directly to him while he negotiates with the lender. In this instance, the scammer may collect a few months of payments before disappearing.

Bait-and-Switch

You think you're signing documents for a new loan to make your existing mortgage current. This is a trick: you've signed documents that surrender the title of your house to the scam artist in exchange for a “rescue” loan.

Rent-to-Buy Scheme

You're told to surrender the title as part of a deal that allows you to remain in your home as a renter, and to buy it back during the next few years. You may be told that surrendering the title will permit a borrower with a better credit rating to secure new financing – and prevent the loss of the home. But the terms of these deals usually are so burdensome that buying back your home becomes impossible. You lose the home, and the scam artist walks off with all or most of your home's equity. Worse yet, when the new borrower defaults on the loan, you're evicted.

In a variation, the scam artist raises the rent over time to the point that the former homeowner can't afford it. After missing several rent payments, the renter – the former homeowner – is evicted, leaving the “rescuer” free to sell the house.

In a similar equity-skimming situation, the scam artist offers to find a buyer for your home, but only if you sign over the deed and move out. The scam artist promises to pay you a portion of the profit when the home sells. Once you transfer the deed, the scam artist simply rents out the home and pockets the proceeds while your lender proceeds with the foreclosure. In the end, you lose your home – and you're still responsible for the unpaid mortgage. That's because transferring the deed does nothing to transfer your mortgage obligation.

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Bankruptcy Foreclosure

The scam artist may promise to negotiate with your lender or to get refinancing on your behalf if you pay a fee up front. Instead of contacting your lender or refinancing your loan, though, the scam artist pockets the fee and files a bankruptcy case in your name – sometimes without your knowledge.

A bankruptcy filing often stops a home foreclosure, but only temporarily. What's more, the bankruptcy process is complicated, expensive, and unforgiving. For example, if you fail to attend the first meeting with the creditors, the bankruptcy judge will dismiss the case and the foreclosure proceedings will continue.

If this happens, you could lose the money you paid to the scam artist as well as your home. Worse yet, a bankruptcy stays on your credit report for 10 years, and can make it difficult to obtain credit, buy a home, get life insurance, or sometimes get a job.

WHERE TO FIND LEGITIMATE HELP

If you're having trouble paying your mortgage or you have gotten a foreclosure notice, contact your lender immediately. You may be able to negotiate a new repayment schedule. Remember that lenders generally don't want to foreclose; it costs them money.

Other foreclosure prevention options, including reinstatement and forbearance, are explained in *Mortgage Payments Sending You Reeling? Here's What to Do*, a publication from the FTC. Find it at www.ftc.gov.

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. More information about HOPE NOW is at www.995hope.org.

If you're having trouble paying your mortgage or you have gotten a foreclosure notice, contact your lender immediately.

RED FLAGS

If you're looking for foreclosure prevention help, avoid any business that:

- guarantees to stop the foreclosure process – no matter what your circumstances
- instructs you not to contact your lender, lawyer, or credit or housing counselor
- collects a fee before providing you with any services
- 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 at a fixed price that is not set by the housing market at the time of sale
- offers to fill out paperwork for you
- pressures you to sign paperwork you haven't had a chance to read thoroughly or that you don't understand.

REPORT FRAUD

If you think you've been a victim of foreclosure fraud, contact:

- Federal Trade Commission
- Your state Attorney General
- Your local Better Business Bureau

FOR MORE INFORMATION

To learn more about mortgages and other credit-related issues, visit www.ftc.gov/credit and MyMoney.gov, the U.S. government's portal to financial education.

The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

*Federal Trade Commission
Bureau of Consumer Protection
Division of Consumer and Business Education*

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