



# FIGHTING MORTGAGE-RELATED SCAMS

by Texas Attorney General Greg Abbott

THE HOME MORTGAGE CRISIS IS ONE of the great problems looming on the horizon for Americans. A combination of forces – including fraud, subprime lenders with lighter credit standards, decreases in the market value of homes, and interest rate increases – have led to a dire situation. With many Texans facing foreclosure and at risk of losing their homes, the Office of the Attorney General (OAG) is working with major lenders to protect homeowners.

Home ownership lies at the heart of the American dream, so foreclosures can be devastating for homeowners, their families, and ultimately for the community. Equally troublesome, foreclosures are already negatively impacting the economy, affecting interest rates, decreasing property values and harming financial markets.

We are doing all we can to help Texans keep their homes. Earlier this year, the OAG concluded its investigation into Ameriquest, a subprime lender that deceived homeowners into refinancing their homes at unfavorable mortgage rates. Under a settlement negotiated by the OAG, Texas homeowners received more than \$21 million in restitution from the lending giant.

We are also cracking down on scam artists who are trying to exploit fearful homeowners to take advantage of this tough situation.

Many fraudulent “foreclosure rescue” services collect exorbitant fees from at-risk homeowners, promising to prevent foreclosure. The scammers just worsen the situation, often accelerating the foreclosure process by advising homeowners not to speak directly to their lenders to resolve their problems.

Homeowners are not the only ones harmed by mortgage-related scams. A growing number of scam artists are duping lenders, mortgage companies and other businesses in the mortgage industry. Mortgage fraud involves intentionally or knowingly making a false or misleading written statement to obtain property or credit, including a mortgage loan. This type of fraud can take many forms, but the most common schemes include fraudulent appraisals, inflated income on loan applications, and even identity theft.

According to the FBI, mortgage fraud is one of the fastest-growing white collar crimes in the United States. Mortgage fraud is also a real problem in Texas. A 2006 report by the federal Financial Crimes Enforcement Network ranked Texas fourth in the nation for real estate mortgage loan fraud.

Fraud may be committed by a sole borrower seeking a personal loan, or it could be committed by a criminal seeking to obtain and purchase loans

as part of a larger scheme, such as money laundering. Mortgage fraud may also include unlawful kickbacks to buyers, investors, property or loan brokers, appraisers, and title company employees.

Recognizing the pervasive mortgage fraud problem, the Texas Legislature took action to increase cooperation among law enforcement agencies by creating the Texas Mortgage Fraud Task Force.

Task force members, including the attorney general and top state real estate, banking and consumer credit regulators, held their first meeting in September. Future task force meetings will improve interagency communications and further law enforcement’s efforts to track and reduce mortgage fraud in Texas. The new legislation also authorized the attorney general to prosecute criminal mortgage fraud cases in coordination with local prosecuting attorneys.

The OAG is committed to protecting Texas homeowners. Public officials must continue working with lenders, educating homeowners and prosecuting scam artists as we strive toward a solution to this troubling situation. The dream of home ownership is too important to ignore.

## POINTS TO REMEMBER



### MORTGAGE FRAUD

**NEVER** falsify information on a mortgage loan application, including:

- Borrower’s identity
- Income
- Asset figures
- Credit history

**NEVER** provide inflated appraisal information to a lender or hide a second mortgage.

**NEVER** enter into a “foreclosure rescue” contract with a third party without carefully reviewing the terms.

#### Texas Residential Mortgage Fraud

##### Task Force members

- Attorney General
- Consumer Credit Commissioner
- Banking Commissioner
- Credit Union Commissioner
- Commissioner of Insurance
- Savings and Mortgage Lending Commissioner
- Texas Real Estate Commission
- Texas Appraiser Licensing and Certification Board

#### Reporting mortgage fraud

To report mortgage fraud by a lender or borrower, contact your local district attorney or the Office of the Attorney General at **(800) 252-8011**.

For more home buying tips, including avoiding foreclosure scams and other common pitfalls, visit the Attorney General’s Web site at [www.oag.state.tx.us](http://www.oag.state.tx.us).



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