



CONSUMERS STRUGGLE WITH MORTGAGES, FORECLOSURES

by Texas Attorney General Greg Abbott

MY OFFICE OFTEN RECEIVES COMPLAINTS involving home mortgages. Many of those complaints come from consumers who encounter a foreclosure scam. For example, con artists have been known to purchase lists of homeowners who are facing foreclosure. The frightened consumers are then peppered with offers of assistance to “save” or “rescue” their home.

Be aware that many consumers have signed what they believed to be paperwork for a “home rescue” loan only to discover that they have sold their homes for a fraction of the fair market value. Do not sign a contract you do not fully understand.

Last year, my office shut down City Mortgage Services, Inc. (not connected to CitiBank or CitiMortgage) for running a “debt reduction” scam in which homeowners made payments to the company thinking the money would be used to pay off their mortgages ahead of schedule. Instead, City Mortgage, which had offices in Austin, Dallas, Fort Worth and Houston, simply kept the consumers’ house payments and

allowed their mortgages to go into default.

We have also heard about companies that claim to be able to get your mortgage “released” by the holder for a fee of \$2,000. Needless to say, your mortgage cannot be dismissed for a fee that is less than the amount remaining to be paid on your loan.

These cases often start when the consumer goes through a period of financial difficulty and misses a house payment. Once the consumer has missed a payment, the mortgage company may begin to charge late fees. If a late fee or penalty is deducted from your next payment, you may fall short again, earning yet another penalty. The situation can quickly spiral out of control.

Most mortgage companies will make an effort to work with homeowners to develop a plan for catching up after they fall behind. Some lenders may not be so helpful.

The most important thing to remember is that you simply must, if at all possible, make that mortgage

payment on time. In most cases where homeowners end up losing their homes, the whole problem began with a single missed payment.

In many cases, homeowners’ loans change hands and the new mortgage company raises the payments or adds new fees and different requirements that the consumer neither expects nor agrees to.

If you feel you have been deceived or cheated in your negotiations with a mortgage company, you should file complaints with my office, the Federal Trade Commission, and the U. S. Department of Housing and Urban Development (HUD).

Homeowners with problems that could result in mortgage default or foreclosure on their property should also consider contacting a HUD-approved housing counseling agency.

If you are involved in a dispute with your mortgage company, you should not deliberately withhold your mortgage payment. File a complaint and consult a private attorney, but do not default on your loan. You could lose your home.

POINTS TO REMEMBER

\$ MORTGAGE AND FORECLOSURE

The Federal Trade Commission (FTC) accepts mortgage complaints in most cases regardless of the type of lending institution. This includes mortgage and finance companies and state credit unions.

Federal Trade Commission
CRC-240
Washington, DC 20580
(877) FTC-HELP (382-4357)
www.ftc.gov

Attorney General Consumer Hotline
(800) 252-8011 www.oag.state.tx.us

The U.S. Department of Housing and Urban Development (HUD) enforces the federal Real Estate Settlement Procedures Act (RESPA), a federal consumer protection statute governing the home purchasing process.

Director, Office of RESPA and Interstate Land Sales
US Department of Housing and Urban Development
Room 9146, 451 7th Street, SW
Washington, DC 20410
(202) 708-0502

Homeowners with problems that could result in mortgage default or foreclosure on their property should consider contacting a HUD-approved housing counseling agency by calling (800) 569-4287. For additional information from HUD regarding foreclosures, visit www.hud.gov. Information on this and other topics is available on the Attorney General’s website at www.oag.state.tx.us.



ATTORNEY GENERAL OF TEXAS
GREG ABBOTT