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Development with a vision*

Beware: Foreclosure Rescue Scams to Avoid

The foreclosure prevention specialist: The “specialist” really is a phony counselor who charges outrageous fees in exchange for making a few phone calls or completing some paperwork that a homeowner could easily do for himself. None of the actions results in saving the home. This scam gives homeowners a false sense of hope, delays them from seeking qualified help, and exposes their personal financial information to a fraudster.¹

The phony counselor: The scam artist tells the homeowner that he can negotiate a deal with the lender to save the home, if a fee is paid first. The homeowner is told not to contact their lender, a lawyer, or credit counselor and to let the scam artist handle all the details. Once the fee is paid, the “counselor” disappears. Sometimes, the scam artist tells the homeowner that mortgage payments should now be paid directly to him while he negotiates with the lender. After a few months, the scam artist walks off with the money, while never having made any effort to actually help the homeowner.²

The lease/buy back: Homeowners are deceived into signing over the deed to their home to a scam artist who tells them they will be able to remain in the home as a renter and eventually buy it back. Usually, the terms of this scheme are so demanding that the buy-back becomes impossible, the homeowner gets evicted, and the “rescuer” walks off with most or all of the equity.³

The equity skimming scheme: The scam artist offers to find a buyer for the home, but only if the homeowner signs over the deed and moves out. The scam artist promises to pay the homeowner a portion of the profit when the home sells. Once the deed is transferred, the scam artist simply rents out the home and pockets the proceeds while the lender proceeds with the foreclosure. In the end, the homeowner loses their home – and is still responsible for the unpaid mortgage. That’s because transferring the deed does nothing to transfer your mortgage obligation.⁴

The bait-and-switch: Homeowners think they are signing documents to bring their mortgage current. Instead, they are signing over the deed to their home. Homeowners usually don’t know they’ve been scammed until they get an eviction notice.⁵

The bankruptcy foreclosure: The scam artist promises to negotiate with the lender for an upfront fee. Instead of contacting the lender, the “rescuer” pockets the fee and files a bankruptcy case in the homeowner’s name. The bankruptcy filing stops the foreclosure process – but only temporarily. What’s more, the bankruptcy process is complicated, expensive, and unforgiving. If the homeowner fails to attend the first meeting with creditors, the bankruptcy judge will dismiss the case and the foreclosure proceedings will continue. If this happens, the homeowner loses the money paid to the “rescuer” as well as their home. What’s more, the bankruptcy stays on the homeowner’s credit report for ten years, and can make it difficult to obtain credit, buy another home, or even get a job.⁶

¹ NeighborWorks America “Top Three Foreclosure Scams to Avoid,” available at www.nw.org 2/25/09

² Federal Trade Commission “Foreclosure Rescue Scams: Another Potential Stress for Homeowners in Distress” available at www.ftc.gov 2/25/09

³ NeighborWorks America “Top Three Foreclosure Scams to Avoid,” available at www.nw.org 2/25/09

⁴ Federal Trade Commission “Foreclosure Rescue Scams: Another Potential Stress for Homeowners in Distress” available at www.ftc.gov 2/25/09

⁵ NeighborWorks America “Top Three Foreclosure Scams to Avoid,” available at www.nw.org 2/25/09

⁶ Federal Trade Commission “Foreclosure Rescue Scams: Another Potential Stress for Homeowners in Distress” available at www.ftc.gov 2/25/09

To avoid these scams, the Federal Trade Commission recommends that homeowners facing the possibility of foreclosure should avoid any business that:

- Guarantees to stop the foreclosure process – no matter the circumstances
- Instructs you not to contact your lender, lawyer, or credit or housing counselor
- Collects a fee before providing services
- Accepts payments 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 to 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

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

- Federal Trade Commission
- The state Attorney General
- Local Better Business Bureau

Find a qualified, free, and confidential housing counselor in your area by contacting 1-877-HUD-1515 or going on line to www.hud.gov.

Homeowners in Dutchess, Ulster, Sullivan, and Orange Counties can contact Hudson Valley Foreclosure Prevention Services, a non-profit, HUD-certified housing counseling agency, by calling 1-888-377-7713.
