



Mortgage Relief Scams

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. Many of these companies leave their homeowner customers in worse financial shape.

There is 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, you should know how to recognize a mortgage assistance relief scam and exercise your rights under the Rule. And even if the foreclosure process has already begun, there are legitimate options to help save your home.

How the Scams Work

Fraudsters use a variety of tactics to find homeowners in distress. Some send personalized letters to homeowners. Others run 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."

"We have special relationships with banks that can speed up the approval process."

"100% Money Back Guarantee."

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

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.

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 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.

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.

Companies must disclose key information.

The MARS 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 that monitors attorney conduct. Call the Louisiana State Bar Association (504-566-1600) or check its website (www.lsba.org) to see if an attorney you're thinking of hiring has gotten into trouble.

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 (888-995-HOPE) with free, bilingual, personalized assistance to help at-risk homeowners avoid foreclosure. You can find additional information at www.makinghomeaffordable.gov.

Getting Legal Help

If you feel you cannot afford an attorney, free legal assistance may be available by contacting: Acadiana Legal Service Corporation at (337) 237-4320 or by visiting www.la-law.org for more information or to find out if you qualify.

