

Loan Modification Scam Alert

AMERICAN CONSUMER CREDIT COUNSELING

AGENDA

- ✓ Introduction
- ✓ Common Scams
- ✓ What You Should Know
- ✓ How to Report a Scam
- ✓ Trusted Authorities
- ✓ Q&A

With national foreclosure rate persistently high, many homeowners have turned to loan modification or foreclosure “rescue” companies for help – only to realize they’ve been scammed.

***ANYONE CAN BECOME A VICTIM OF A LOAN MODIFICATION SCAM.
LEARN HOW NOT TO BE.***

COMMON SCAMS

- Phony Counseling or Foreclosure Rescue Scams
- Fake “Government” Modification Programs
- Forensic Loan Audit
- Bait-and-Switch
- Rent-to-Own or Leaseback Scheme
- Short Sale Scam
- Bankruptcy to Avoid Foreclosure

PHONY COUNSELING OR FORECLOSURE RESCUE SCAMS



Scam Artist poses as a counselor and tells you he can negotiate a deal with your lender to modify your loan or save your house – if you pay him a fee first.

The fee may be called a processing or administrative fee. He may even tell you not to contact your lender, lawyer, or housing counselor – that he will handle all the details.

He may even insist that you make all mortgage payments directly to him while he negotiates with your lender.

Once you pay the fee, or a few mortgage payments, the scammer disappears with your money.

FAKE “GOVERNMENT” MODIFICATION PROGRAMS

Some scammers may claim to be affiliated with, or approved by, the government, or they may ask you to pay high, up-front fees to “qualify” for government mortgage modification programs.

The scammer’s company name and website may sound like a real government agency, but the website may end with .com or .net instead of .gov.

You may also see terms like “federal,” “HAMP,” “MHA,” “HARP” or other words related to official U.S. government programs.

Contact your lender first. Your lender will be able to tell you if you qualify for any government programs to prevent foreclosure or modify your loans **AND** you don’t have to pay to benefit from these programs!

Lender XYZ, I need assistant to prevent foreclosure, do I qualify for any government programs?





The scammer who may call themselves a forensic or mortgage loan “auditor” offers to review your mortgage loan documents to determine whether your lender complied with state and federal mortgage lending laws.

The scammer will usually require you pay a fee to start the process.

The scammer may say you can use the audit report to avoid foreclosure, accelerate your loan modification process, reduce your loan principal, or even cancel your loans.

FORENSIC LOAN AUDIT

BAIT & SWITCH

The scam artist convinces you to sign documents for a “new loan modification” that will make your existing mortgage current.

THIS IS A TRICK!!!

You actually just signed documents that surrender the title or deed of your house to the scam artist in return for a “rescue” loan.

READ ALL DOCUMENTS BEFORE SIGNING!

A scammer urges you to surrender the title or deed of your home as part of a deal that will let you stay in your home as a renter and then buy it back in a few years.

He may tell you that surrendering the title will permit a borrower with a better credit rating to get new financing- and keep you from losing your home.

The scammer may have **NO** intention of ever selling the home back to you.

The terms of these deals usually make buying back your home **IMPOSSIBLE**. Worse yet, when the new borrower defaults on the loan, you're evicted.

Variations of Schemes

1. The scammer raises your rent over time to the point that you can't afford it. After missing several rent payments, you are evicted, leaving the "rescuer" free to sell your house.
2. The scammer offers to find a buyer for your home, but only if you sign over the deed and move out. The scammer promises to pay you some of the profit when the home sells. But the scammer simply rents out your home and keeps the profits while you lender proceeds with the foreclosure. You lose your home and are still responsible for the unpaid mortgage, because transferring the deed does not affect your mortgage obligation.

RENT-TO-OWN OR LEASEBACK SCHEME

SHORT SALE SCAM

Scammers, sometimes called “short sale negotiators” or “short sale processors,” may promise to expedite a short sale and usually require you to pay a fee, which is illegal in many states.

Some scammers may even include surcharges or hidden fees before the transaction closes, which is also illegal in many states. The scammer may also misrepresent the value of the home to the lender.



SHORT SALE SCAMS

A short sale may be a legitimate option for a homeowner in default or a homeowner who is current yet the value of the home has fallen – if the lender agrees to a short sale.

But homeowners should only work with a licensed real estate professional or licensed real estate attorney since the law requires that the person be properly licensed to negotiate the short sale with your lender.

Homeowners should verify licenses with their state licensing agencies.

BANKRUPTCY TO AVOID FORECLOSURE

The scammer may promise to negotiate with your lender or get refinancing on your behalf if you pay a fee up front.

Instead of contacting your lender or refinancing your loan, he pockets the fees and files bankruptcy in your name – sometimes without your knowledge.

A bankruptcy filing often stops a home foreclosure, but only temporarily. Filing bankruptcy stops any collection and foreclosure while the bankruptcy court administers the case. But eventually you must start paying your mortgage, or the lender will be able to foreclose.

You could lose the money you paid to the scammer and your home. Worse yet, a bankruptcy stays on your credit report for 10 years, which makes it difficult to obtain credit, buy a home, get life insurance or even get a job.

THE WARNING SIGNS OF A SCAM

1. **A company/person asks for a fee in advance to work with your lender to modify, refinance or reinstate your mortgage.** They may pocket your money and do little or nothing to help you save your home from foreclosure.
2. **A company/person guarantees they can stop a foreclosure or get your loan modified.** Nobody can make this guarantee to stop foreclosure or modify your loan. Legitimate, trustworthy HUD-approved counseling agencies will only promise they will try their very best to help you.
3. **A company/person advises you to stop paying your mortgage company any pay them instead.** Despite what a scammer will tell you, you should never send a mortgage payment to anyone other than your mortgage lender. The minute you have trouble making your monthly mortgage payment, contact your mortgage lender.
4. **A company pressures you to sign over the deed to your home or sign any paperwork that you haven't had a chance to read, and you don't fully understand.** A legitimate housing counselor would never pressure you to sign a document before you had a chance to read and understand it.
5. **A company claims to offer "government-approved" or "official government" loans modifications.** They may be scam artists posing as legitimate organizations approved by, or affiliated with, the government. Contact your mortgage lender first. Your lender can tell you whether you qualify for any government programs to prevent foreclosure. And, remember, you do not have to pay to benefit from government-backed loan modification programs.
6. **A company/person you don't know asks you to release personal financial information online or over the phone.** You should only give this type of information to companies that you know and trust, like your mortgage lender or a HUD-approved counseling agency.

HOW TO REPORT SCAMS

Please take action by doing any of all of the following:

1. Call the Homeowner's Hope Hotline: 1-888-995-HOPE (4673)
Assistant is available in 20 languages upon request.
2. File a complaint online through the Loan Scam Prevention Network. Submit your form in: English, Spanish, Korean, or Chinese.
3. Call the Federal Trade Commission (FTC) at 877-FTC-HELP (1-877-382-4357) or submit your complaint online in English or Spanish.
4. You can contact your state Attorney General or another local authority in your state.

TRUSTED AUTHORITIES

If you are facing foreclosure, you can find help, free of charge, from the following organizations:

- Federal Deposit Insurance Corporation
- Federal Trade Commission
- U.S. Department of Housing and Urban Development
- U.S. Department of Justice
- U.S. Department of the Treasury
- National Coalition for Asian Pacific American Community Development
- National Council of La Raza
- National Fair Housing Alliance
- National Foreclosure Mitigation Counseling Agencies
- National Urban League
- HOPE Now Alliance
- Homeownership Preservation Foundation: HomeFree USA
- National Association of Realtors®
- Fannie Mae
- Freddie Mac
- Lawyer's Committee for Civil Rights Under Law
- NeighborWorks® America

Contact us:

American Consumer Credit Counseling
130 Rumford Ave., Suite 202
Auburndale, MA 02466

1-866-826-7180 or 1-800-769-3571

ConsumerCredit.org or ConsumerCredit.com