

ScamCast with the FTC Podcasts

Transcript - Foreclosure Rescue Scams: Red Flags and Real Help Podcast

This is Carol Kando-Pineda. I'm an attorney with the Federal Trade Commission, the nation's consumer protection agency. One focus of my work is outreach to the military community, giving you tips and tools to avoid scams, manage your money, and protect yourself in the marketplace.

Today I'm going to talk about mortgage foreclosure fraud, what are the red flags of these scams? And if you're facing foreclosure, where you can get legitimate help.

It's pretty frightening to think that scam artists are preying on the vulnerability of desperate homeowners. They call themselves foreclosure rescue companies or foreclosure assistance firms. They claim that they can help you save your home. Some are brazen enough to offer a money-back guarantee, but that really means very little. Unfortunately with most of these fraudsters, when they take your money, they leave you much the worse for wear.

Fraudulent foreclosure rescue companies use half truths along with outright lies just to make a quick profit. Sometimes they take ownership of your property by deceiving you. Then when it's too late to save your home, they take the property or siphon off the equity. So, if you think you may be facing foreclosure, the FTC wants you to know how to recognize a foreclosure rescue scam and know that legitimate options are available to help you save your home.

Here are some of the red flags to watch out for:

- Avoid any business that guarantees to stop the foreclosure process, no matter what your circumstances. Nobody can guarantee that.
- Instructs you not to contact your lender, your lawyer, or your credit housing counselor. They want to isolate you and prevent you from getting advice from other people, other trusted sources.
- Avoid anyone who collects a fee before they provide you with any services or accepts payment only by cashier's check or wire transfer. That's very often a big red flag for any kind of fraud.
- Avoid a business that encourages you to lease your home so you can buy it back over time. Or if they tell you to make your mortgage payments to it, rather than your lender, watch out.
- Avoid a business that tells you to transfer your property or title to it.
- If they offer to buy your house at a fixed price that's not set by the housing market at the time of the sale, very suspicious.
- Avoid a business that offers to fill out the paperwork for you or pressures you to sign paperwork you haven't had a chance to read through thoroughly, or that you don't understand.

So, if you've fallen behind on your payments, what should you do? If you're having trouble paying your mortgage or you've gotten a foreclosure notice, contact your lender immediately. You may be able to negotiate a new repayment schedule. Remember that lenders don't generally want to foreclose; it costs them money. Also consider discussing the following options with your loan servicer:

There's reinstatement. That's where you pay the loan servicer the entire past-due amount plus any late fees and penalties by a date you both agree to. This option may be appropriate if your problem paying your mortgage is temporary.

Then there's a repayment plan. Your servicer gives you a fixed amount of time to repay the amount you're behind by adding a portion of what is past due to your regular payment. This option may be appropriate if you've missed a small number of payments.

Forbearance. Your mortgage payments are reduced or suspended for a period that you and your servicer agree to. At the end of that time, you resume making your regular payments as well as a lump-sum payment, or additional partial payments for a number of months to make the loan current. Forbearance may be an option if your income is reduced temporarily, say you're on disability or leave from a job and you expect to go back to a full-time position very shortly. Forbearance isn't going to help if you're in a home you can't afford.

What about loan modification? You and your servicer agree to permanently change one or more of the terms of your mortgage contract to make your payments more manageable for you. Modification may include reducing the interest rate, extending the term of the loan, or adding missed payments to the loan balance. A modification may also involve reducing the amount of money you owe on your primary residence by forgiving or canceling a portion of the mortgage debt. There are tax implications to this route. And you should also be prepared to show a good faith effort to pay the mortgage by, say, reducing other expenses.

Now, let's talk about bankruptcy. Personal bankruptcy is generally considered the debt-management option of last resort because the results are so long-lasting and really far reaching. A bankruptcy stays on your credit report for 10 years and can really make it difficult to get credit, buy another home, get life insurance, and sometimes to even get a job. Still, it's a legal procedure that offers people a fresh start who can't satisfy their debts.

To learn more about these options and about mortgage payments in general, get the FTC publication, *Mortgage Payments Sending You Reeling? Here is What to Do*. It's at FTC.gov. You can also contact a credit counselor through the Homeowner Preservation Foundation. That's a nonprofit organization that operates, 1-888-995-HOPE. That's a national 24/7 toll-free hotline with free bilingual personalized assistance to help at-risk homeowners avoid foreclosure. That's 1-888-995-HOPE

If you think you've been a victim of one of the foreclosure frauds we've talked about, contact the Federal Trade Commission at FTC.gov. It's pretty easy to file a complaint. To learn more about mortgages and other credit issues, visit FTC.gov/credit and MyMoney.gov, the U.S. government's portal to financial education.

And as always, you can go to Military OneSource for help. This free, 24-hour service is available to all active duty, guard, and reserve members regardless of activation status and their families. Consultants provide information and make referrals on a wide range of issues. Call 1-800-342-9647, or visit www.MilitaryOneSource.com to learn more.

