PREVENTIVE LAW SERIES

FORECLOSURE "RESCUE" SCAMS

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Foreclosures across the nation continue to arise. As foreclosures become more common, so too do foreclosure "rescue" scams. When facing foreclosure, it is important to know how to recognize and protect yourself from the various types of foreclosure "rescue" scams.

WHAT IS A FORECLOSURE "RESCUE" SCAM?
A foreclosure "rescue" scam begins when the individual facing foreclosure (the "mortgager") is approached by the scammer. In one scenario, the scammer offers to help the mortgager avoid foreclosure for a small "fee." Once the scammer receives the fee, the scammer will fill out some minimal paperwork (or may do nothing at all) and will then disappear. In another scenario, the scammer offers to refinance the original loan. After filling out all the paperwork, the mortgager discovers that he has actually surrendered ownership of the home to the scammer. In a third, similar "rescue" scam, the scammer offers to buy the house from the seller for a small fee and then let the mortgager "rent" the house from the scammer with the ability to buy it back over time. The rent often turns out to be more difficult to pay than the original mortgage, making the buy-back impossible, and the mortgager loses possession. Under both the refinancing scam and the rent scam, the scammer usually transfers ownership to themselves via a trust, leaving the mortgager responsible for paying off a mortgage on a house that he or she no longer owns.

HOW TO AVOID BEING SCAMMED
How can a mortgager facing foreclosure avoid these scams and others like them?

- First, if it seems too good to be true, it probably is.
- Second, the mortgager should be wary of companies or individuals approaching the mortgager with offers to "help" the mortgager out of foreclosure. It is always appropriate to ask for time to consider your options. There is no such thing as a "good deal" that will disappear if the contract does not get signed immediately.
- Third, the mortgager should read every document to be signed! Read carefully and consult an attorney if the documents are hard to understand.

So what steps should a mortgager take when facing foreclosure? The mortgager can try to refinance through a reputable bank or institution. Also, the mortgager can contact his or her mortgage company directly. It is possible to negotiate with the mortgage company to set up a more feasible payment plan that will satisfy both the mortgager and the lender. If neither refinancing nor negotiating is feasible, bankruptcy may be an option. While it does not stop a foreclosure, bankruptcy gives the mortgager time to reorganize his finances. If an individual is considering bankruptcy, it is important to speak with an attorney.

RESOURCES
Department of Defense **Homeowners Assistance Program**: http://hap.usace.army.mil/
Departments of the Treasury & Housing and Urban Development **Making Home Affordable Program**: http://www.makinghomeaffordable.gov/pages/default.aspx

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