



Austin American Statesman  
**statesman.com**

 **PRINT THIS**

CENTRAL TEXAS HOMES

## Foreclosure 'rescue' scams

**Owners can lose their homes and still be stuck paying the mortgages.**

By Sandra Fleishman

THE WASHINGTON POST  
 Saturday, June 18, 2005

WASHINGTON — When facing foreclosure, desperate homeowners can make some bad decisions, especially when approached by someone offering to "rescue" them.

The Boston-based National Consumer Law Center recently released a report on "the rampant theft of Americans' homes and equity" by con artists who promise to save houses from foreclosure. The report offers advice on how to avoid getting snared.

Prevention is the best medicine, it says. That is because if a homeowner does fall into a scamster's clutches, it will take considerable money and time, a good lawyer and sometimes help from state regulators or prosecutors to undo the damage.

Although fraud and forgery may be involved and other unfair trade or deceptive practices laws may have been violated, state enforcement agencies often do not have the resources to help "or don't think they have the authority," said Elizabeth Renuart, a co-author of the report. And, in most states, she said, "they don't have the ability to save the house even if you prosecute. That's a civil issue."

Earlier this year, Texas Attorney General Greg Abbott issued a consumer alert about bogus foreclosure rescue scams.

"If you are facing possible foreclosure on your home, be cautious of anyone who offers to 'rescue' your home," Abbott said in a statement. "Do not sign a contract you do not fully understand."

Tom Kelly, news secretary for the the attorney general's office, couldn't say whether there were any active cases concerning foreclosure fraud, but he said that in areas with a high number of foreclosures such as Travis County, there is concern that such scams are being carried out.

### Types of scams

The National Consumer Law Center said the scams commonly come in three types.

- "Phantom help," where the "rescuer charges outrageous fees, either for light-duty phone calls and paperwork the homeowner could have easily done or for a promise of robust representation for the homeowner that never materializes." The homeowner ends up without enough help to save the house and with little or no time to stop the foreclosure.

- The "bailout" that never quite works. This includes various schemes in which homeowners surrender title to the house thinking that they will be able to remain as renters and buy back over the next few years.

Sometimes homeowners are told that they have to give up title so someone with better credit can get a new loan to stop the foreclosure. But the terms of the deal are so onerous that the homeowner can't buy back the house and the "rescuers" get all or most of the equity.

- The "bait-and-switch," in which homeowners don't realize that they're signing away ownership. The homeowners often think they're signing documents for a new loan to make the mortgage current. These cases often involve fraud and forged documents. And, worse, in many cases, the original homeowners are frequently left holding the mortgage on a home they no longer own.

### Protect yourself



There are some things consumers can do to protect themselves.

The first advice is to ignore the posters offering foreclosure help that have been slapped up on telephone poles, in median strips and at bus stops in many working-class neighborhoods, the report says.

Ignore fliers dropped off on front porches or stuffed in mailboxes. Particularly ignore handwritten notes suggesting the "help" is coming from someone you know or who has your interests in mind.

"These kinds of signs crowd the streets in Virginia, Maryland, Florida" and other states where rescue scams are exploding, co-author Steve Tripoli said at a news conference in Washington. "If the street signs don't get you, the fliers will."

Handwritten fliers, he said, "are more dangerous, because they are more likely to instill a sense of familiarity or trust." The con artists also will try to instill trust by telling victims "we've been in the same dilemma."

Renuart said the promises are typically empty: "These are felonies. This is grand theft of your house."

### **Ignore instructions**

The center's report says houses can be worth much more than desperate homeowners realize, and scam artists can essentially "buy" a property by paying off the amount that is overdue on a loan.

While the rescue "specialist" may promise to rent the house to the homeowner with the opportunity for the family to buy it back later, the rescuer typically sets the price higher than the financially strapped homeowners can ever afford. Then he moves to evict them when they fall short on monthly "rent" payments.

Many times the underlying mortgage is not paid off, so homeowners not only are evicted but also still owe for the original loan amount.

"They get the houses for pennies on the dollar," Tripoli said.

Tripoli said homeowners in financial trouble should "do the exact opposite of what these scam artists say to do."

"They tell you 'Do not talk to an attorney or to a lender.' But if you're caught in a foreclosure, you need to talk to your lender — to ask, 'What can we do about restructuring payments or refinancing?'" Tripoli said.

Homeowners then need "to clearly understand what the rules are on foreclosure in your state. And you need to know the timetable for where you are in the process."

For example, a homeowner should check to see whether a letter from a lender is a deficiency notice, which says the homeowner is behind in payments to the lender and can still "cure" the deficiency by paying it off, Tripoli said. That is opposed to a letter that announces a sale date, which means the homeowner is also subject to a variety of fees beyond the amount in arrears.

### **Untangling mess**

Consumer groups note that selling the house may be the only option for some, because minorities and elderly people often have been targeted for predatory loans with high fees and terms and for multiple refinances that drained their equity.

Although they may not want to move, selling on the open market will save them from their supposed rescuers, consumer advocates say.

Homeowners who have been taken by rescue scams can try to find a consumer lawyer to represent them in actions before enforcement agencies, in hearings on subsequent evictions by the rescuer or an investor, or in lawsuits alleging fraud or deception.

But knowledgeable lawyers are few, and homeowners in distress often cannot afford them. And the cases are so complicated that it takes more time than many lawyers want to spend, consumer groups say.

Tripoli recommends retaining a lawyer through the National Association of Consumer Advocates ([www.naca.net](http://www.naca.net)), which lists consumer lawyers by state. Those who cannot afford a lawyer can try contacting the local Legal Services Corp. office, he said.

But Ira Rheingold, executive director for the association, said, "The fact is that there are not a ton of attorneys who do these cases."

### **Preying on homeowners in trouble**

Here's an outline of how 'rescue' scams often work, according to the National Consumer Law Center.

- A rescuer finds distressed homeowners through public foreclosure notices in newspapers or government offices. It's easier these days because lists are computerized and companies compile and sell them.
- The con artist calls, visits or drops a business card or a flier at the door, or advertises with signs in distressed neighborhoods.

- The first meetings promise a 'fresh start' and often include 'testimonials.' While the programs could work for some, the 'rescuer' doesn't note that the price can be steep.
- Homeowners are often told to cease all contact with lawyers or the mortgage lender and to let the rescuer handle negotiations.
- When it's too late to stop the foreclosure, the property is taken by the rescuer or is sold to someone else at foreclosure.
- Homeowners who have been turned into renters can be evicted from the homes they once owned if they miss their rent payment.

— The Washington Post

### Things to consider when facing foreclosure

Facing foreclosure? Here's what to do:

- Don't panic. Figure out where you are in the process. Are you behind on payments and getting a 'deficiency notice,' meaning you can 'cure' the debt? Or did you get notice of an immediate sale?
- Talk to your lender about how to restructure the payments or refinance.
- Find out how the foreclosure process works in your state and how much time you have to resolve problems before losing the home. In Texas, homeowners have 21 days between a foreclosure posting and the actual auction.
- Contact a counseling agency approved by the Department of Housing and Urban Development. A list of agencies by state is at [www.hud.gov](http://www.hud.gov).
- Contact a lawyer through the National Association of Consumer Advocates ([www.naca.net](http://www.naca.net)), the Legal Services Corp. (for low-income individuals; [www.lsc.gov](http://www.lsc.gov) for lists of state programs) or your city or county's consumer protection agency.
- Never sign a contract under pressure.
- Never sign away ownership of the property, a document often referred to as a 'quit claim deed,' to anyone without the advice of your lawyer. Be especially suspicious of deals that claim to let you lease the property and buy it back after two or three years.
- Don't pay your mortgage payments to anyone other than the lender even if that person promises to pass them on to the mortgage company.
- Beware of any home sale contract in which you aren't formally released from your existing mortgage.
- Never make an oral agreement.
- Don't sign anything with blank lines or spaces. Information could be added later.
- If you believe you have become a victim of a foreclosure rescue scam or have been approached by a con artists, contact the Texas attorney general's office at (800) 621-0508.

— The Washington Post

### Find this article at:

<http://www.statesman.com/search/content/business/stories/06/18foreclosurescam.html>

Check the box to include the list of links referenced in the article.

