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Mortgage Relief Scams

Scammers promise to make changes to your mortgage loan or take other steps to save your home, but they don't deliver. Never pay a company upfront for promises to help you get relief on paying your mortgage.

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Mortgage Assistance And Your Rights

Scammers target desperate homeowners looking to avoid foreclosure and stay in their homes. These scammers promise they'll get changes to your loan so you can keep your home. But they want you to pay them an upfront fee before giving you any services or getting any results. Don't do it. It's illegal for a company to charge you upfront for promises to help you get relief on paying your mortgage. If you're working with a lawyer, make sure they're licensed in the state where you live and are reputable.

If a company offering help with your mortgage debt doesn't follow these rules, it could be trying to scam you. Here's what to know about your rights.

- **Don't pay any money until the company delivers the results you want.** The Mortgage Assistance Relief Services (MARS) Rule says it's illegal for a company to charge you a penny until it's given you a written offer for a loan modification or other relief from your lender — and you accept the offer.
- **The company must disclose key information to you.** If you decide to accept your lender's offer, the company must
  - give you a document from your lender showing the changes to your loan
  - clearly tell you the total fee the company will charge you for its services
  - warn you that you could lose your home — and damage your credit — if you stop paying your mortgage
- **The company's ads and telemarketing pitches must clearly say**
  - they're not associated with the government, and their services haven't been approved by the government or your lender
  - your lender may not agree to change your loan
- **The company can't tell you to stop talking to your lender.** You always have the right to contact your lender directly to see whether you have other options. Companies that tell you to stop communicating with your lender are breaking the law.

Types of Mortgage Relief Scams

Here are some common warning signs of a mortgage relief scam:

- Scammers will demand payment upfront, before you get any services. That's illegal — and a warning sign to avoid them.
- Scammers may want you to pay only by cashier's check, wire transfer, or a mobile payment app. Scammers like you to pay this way because it's hard to get your money back.
- Scammers may try to convince you to transfer the deed to your home to them. The deed is the legal document that proves who owns the home. If you transfer the deed, you're not likely to get it back.

Scammers come up with different stories to pressure you into paying them. Knowing some of their come-ons can help you avoid them.

Phony Counseling

- **Scammers say they are:** housing counselors or lawyers — or that they represent a law firm or they're from the government. The scammers say they'll handle all the details of a deal with your lender to lower your mortgage payments or save your home from foreclosure. They'll typically tell you **not** to contact your lender, lawyer, housing counselor, or credit counselor. They may tell you to make your mortgage payments directly to them — rather than to your lender — or to transfer your property deed to them.
- The scammer takes your money and never makes payments to your lender, so your loan goes into default.
- The scammer stops returning your calls and takes off with your money. If you hire someone who says they're a lawyer, make sure they are licensed as a lawyer in your state and are reputable. Just because a lawyer works for the company doesn't mean the company can charge you an upfront fee or that it's legitimate.

Forensic Audits

- **Scammers say they are:** mortgage loan "auditors," or "foreclosure prevention auditors," lawyers, or other experts. They'll review your mortgage documents to see if your lender complied with the law. They say the audit can help you avoid foreclosure, speed the loan modification process, lower the amount you owe, or even cancel your loan.
  - Scammers can't promise that a forensic loan audit will help you get a loan modification or any other mortgage relief.
  - Some federal laws do let you sue your lender based on errors in your loan documents. But even if you sue and win, your lender doesn't have to modify your loan simply to make your payments more affordable or give you more time to repay the loan. If you cancel your loan, you'll have to return the money you've borrowed so far, and you may lose your home.

Rent-to-Buy Ripoffs

Scammers say: "If you give us the deed to the home, we'll get our own financing to save the home from foreclosure." These scammers say you can stay there as a renter and your rent payments — supposedly — will go to helping you buy the home back from them later.

- As soon as you give up the deed to your home, the scammers control what happens to it.
- Transferring the deed does not transfer the mortgage, so you'll still owe payments on your mortgage loan. Once the scammers have the deed, they can sell the home and keep any money from the sale, as well as the money you already paid on the loan (your equity).
- The scammer usually doesn't sell the home back to you. But if they do offer to sell it back, the terms of the deal often are so expensive that buying back your home becomes impossible. In fact, the scammer sometimes raises the rent over time, and after you miss several rent payments, you're evicted. That leaves the scammer free to sell the home.

Equity-Skimming Scams

- **Scammers say: "If you sell us your home, we'll help you.** You can get your home back once you're on your feet again." Others trick you into selling them your home for cash for much lower than the selling price of similar homes in your neighborhood. These scammers promise to find a buyer for your home — only if you sign over the deed to them and move out. They promise to give you a portion of the profit when the home sells.
  - Once you sell your home to the scammer (and transfer the deed), they simply rent out the home and pocket the rent money while your lender goes ahead with the foreclosure.
  - You lose your home — and you're still responsible for the unpaid mortgage. Transferring the deed doesn't change the fact that the mortgage is yours.

Bait-and-Switch or "Rescue" Loan Schemes

- **Scammers say**: "We'll help you get a deal on another loan (a "rescue" loan) so you can make your mortgage current."
  - The scammer hands you a stack of papers to sign for the new loan. They may pressure you to sign the papers quickly, without giving you a chance to read them thoroughly or giving you time to follow up on any sections that you don't understand.
  - The scammer rushes you because buried in the stack is a document that gives them the deed to your home in exchange for the loan. If you transfer the deed to the scammers, they can sell the home and keep the money made from the sale. They also can evict you. You must still pay back your original mortgage loan.

What To Know About Hiring a Lawyer

Steps To Take Before You Hire a Lawyer

A reputable lawyer doesn't guarantee results, no matter what your circumstances.

Before you hire someone who claims to be a lawyer (also called an attorney or counsel), or someone who claims to work with lawyers, ask relatives, friends, and others you trust for the name of a lawyer with a proven record of helping homeowners facing foreclosure.

Get the name of each lawyer who'll be helping you, the state or states where each lawyer is licensed, and their license number in each state. Your state has a licensing organization — or bar — that monitors lawyers' conduct. Call your state bar or check its website to see if a lawyer you're thinking of hiring has gotten into trouble. The American Bar Association has links to your state bar or search online for the name of your state and the words "state bar" to find the site for your state's bar association. Get — in writing — specific information about the work the lawyer or firm will do for you, including the cost, and the payment schedule

If you decide to hire a lawyer, stay in touch with them and keep a file with a record of your conversations, letters, emails, texts, and paperwork.

Some less-than-honest law firms send direct mail flyers that urge you to participate in a "mass joinder lawsuit." The firms charge upfront fees and bend the truth to make you think you're joining with other people in similar circumstances to sue your lender. They make it seem like they can stop your foreclosure, cut your loan balance or interest rates, get you money damages, and even get you the deed to your home, free and clear of your mortgage. Mass joinder lawsuits are not class action lawsuits. In a mass joinder lawsuit, you still have to go to trial separately to prove your case. And a mass joinder lawsuit is not likely to help you save your home.

Lawyers and Upfront Fees

Under the MARS Rule, lawyers can ask you to pay an upfront fee, but only if they

- are licensed to practice law in the state where you live or your home is located
- are supplying you with real legal services
- are complying with state ethics requirements for lawyers
- place the money you pay them in a client trust account, withdraw fees only as they complete actual legal services, and notify you of each withdrawal

Where to Find Legitimate Help

Contact your mortgage servicer or lender.

If you're having trouble paying your mortgage or you've gotten a foreclosure notice, contact your servicer or lender immediately, even if the foreclosure process has already started.

Talk to a certified housing counselor for free legitimate help.

- Go to the Department of Housing and Urban Development's (HUD) list of approved housing counseling agencies to find a counselor in your state who can explain your options.
- Visit makinghomeaffordable.gov, a website from the Department of the Treasury and HUD, or call their help line at 1-888-995-HOPE (4673).
- Visit the Homeowner Preservation Foundation.
- Visit the websites for the Consumer Financial Protection Bureau (CFPB), Federal Housing Finance Agency (FHFA), and Department of Housing and Urban Development (HUD). These agencies are working together to help homeowners and renters affected by the coronavirus pandemic.

What To Do If You Paid a Scammer

Scammers often ask you to pay in ways that make it tough to get your money back. No matter how you paid a scammer, the sooner you act, the better. Learn more about how to try to get your money back.

Report Fraud

If you think you've run into a mortgage relief scam, report it to

- the Federal Trade Commission at ReportFraud.ftc.gov
- your state attorney general

Search Terms: home, loan, mortgage, scam

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