

What are foreclosure scams?

Homeowners facing foreclosure should beware of foreclosure scams. Scammers can cause you to lose both your home and the equity you have built. Many scammers contact homeowners offering to "save" their houses. Information about your property is a matter of public record and fairly accessible by anyone interested in obtaining it. In addition to the information recorded with the county when you bought your house, notifications of default filed by the lender or a lien holder or pending auction or foreclosure are all public record.

Unfortunately, unscrupulous individuals can use this information to take advantage of homeowners in distress. Other times, homeowners facing foreclosure may respond to ads offering to pay cash immediately for houses. Although this sounds like a quick solution, it may not be the right option if your ultimate goal is to keep your home. You need to be very careful, because many of these offers may also be scams. Scammers are particularly interested in properties where homeowners have been living for a long time or there is an indication the homeowner has built a significant amount of equity.

For example: Scammers advertise their services to negotiate with the lender on behalf of the homeowner to save the house. They often collect fees up-front, usually one month's mortgage payment. The scammers prohibit the homeowner to contact the lender so the process will not be "disrupted." In many cases, the scammers do very little or nothing to help consumers. In other cases, scammers will convince the homeowner to convey or give up the title of the house with the promise to return the house after it has been taken out of the foreclosure process. Scammers commonly pay the homeowner an amount significantly less than the real value of the home, sometimes as little as \$1. In some cases the deal includes a rental agreement where the homeowner pays rent which can be more than the original mortgage payment. The homeowner is still responsible for the payment of taxes, insurance, and other obligations as if nothing has changed except for the ownership of the house. Since the homeowner no longer has the title, the scammer can evict the homeowner if he or she does not pay the rent.

The Mortgage Rescue Protection Act provides additional protection for homeowners facing foreclosure when approached by companies or individuals offering to assist in negotiating with the lender or financial institution to save a home or offer to pay off a loan on the homeowner's behalf. The law identifies these individuals or companies as "foreclosure consultants" and "equity purchasers." Refer to the HUD list of approved foreclosure consultants www.hud.gov

The law requires that contracts offered by either foreclosure consultants or equity purchasers must be clearly disclosed and provided to homeowners at least 24 hours before they are personally signed and dated. The law also gives homeowners the opportunity to cancel the contracts within the time frame the law allows, as long as the contracts include the required contact information.

If you make the decision to use the services to help you save your house or any type of assistance when your house is at risk, you should take the time to read the entire contract before you sign it! While the law has some protections and restrictions to prevent fraud, signing a contract means you agree with the terms and conditions included in it. It is strongly recommended you seek legal assistance to make sure you are protected by the provisions of this new law.

Not meant to be legal advice. Check with your attorney and or other professional(s) for advice that suits your circumstance.