



Beware Foreclosure Scams

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If you think you no longer have the financial means to stay in your home and are seriously considering foreclosure, you are not alone. There are many people in the same boat and the scam artists that prey on others' misfortune are clamoring to climb on board. Our nation is in the midst of an economic crisis that will leave few untouched. Michigan, with its soaring unemployment, has been hit particularly hard and this is reflected in our housing market. Many people are feeling increasingly desperate and are easy prey for foreclosure scammers.

Don't be a victim. There are free resources that can assist you with a self-help solution if your situation allows. There are also various reputable services for hire that you may find helpful. If you decide to use a paid service be sure to do your homework. Sometimes it is hard to tell legitimate assistance from fraud. To use these services with confidence you need to be able to distinguish them from the scammers. The following information should help you to do so.

As a starting point, have a reputable professional go over your circumstances. While foreclosure can seem the only answer to your troubles, there

may be other, more satisfactory, ways of handling your situation that you are unaware of. For example, the right credit counselor can assist you in restructuring credit card debt thereby freeing up funds to pay your mortgage. It is the job of an experienced, competent professional to know what is current, available and provides the best fit in a given situation. Free foreclosure prevention counseling is available from a variety of sources including: **HUD approved counseling at 1-800-569-4287 or 1-877-483-1515; Homeownership Preservation Foundation at 1-888-995-4673; and Michigan's own "Save the Dream" at 1-866-946-7432.**

Awareness is often the best defense against scammers who themselves are only too aware of those most vulnerable to their schemes. The internet provides ready access to contact information about those in foreclosure and is frequently used in both direct phone and mail campaigns and by the more aggressive door-knocker solicitors. Suspect mail campaigns are particularly creative and hard to spot. Some commonly used tactics you should watch for include: "hand addressed" or "hand written" letters that look like they are from a private individual; notes written on yellow notebook paper made to look like a private individual is interested in buying your home; "lumpy mail" stuffed with an inexpensive trinket meant to attract your attention; mail marked "official" or "confidential" solely to set it apart from other junk mail; solicitations disguised as "greeting cards" or "invitations"; and mail containing what appears to be a

“check”. Arm yourself against the scammers by learning to say “no” to those services that approach you. Be wary of any service that approaches you. Finding your own source of assistance is the best policy. Use friends, trusted professionals or a reputable referral agency to do this.

Red flags should go up any time deeding over your home is made a condition of foreclosure prevention counseling. You may be requested to deed your home directly to the “counselor” or to deed over to a Land Trust as part of a “short sale”. When a home is sold for less than what is owed on it, with the lender being in agreement, it is called a short sale. Handing over the deed to your home should not be necessary to stop foreclosure and places you in an even more vulnerable position. Don’t do it. A “counselor” who fails to perform may well walk away owning your home leaving you still owing on your mortgage. In addition, while a short sale may be a reasonable alternative to foreclosure in some cases, deeding one’s home to a trust or someone other than a purchaser is not a required step in this process. Likewise, a short sale is something you can do on your own without involving the costly and perhaps questionable services of a third party. In any sale of your home it’s smart to have a lawyer involved.

Equity skimming is another practice associated with deed requests. Here, not only are you asked for the deed to your home you are told to move out so that your home will be easier to sell. In a typical scheme, your home is then rented out

with your “counselor” collecting rent and keeping it for himself. No payments are made on your mortgage. Your home is not sold for you. You could just as easily be renting your home out on your own, putting the rent you collect toward debt reduction.

Other abuses— unfortunately common in our current housing market— are collectively referred to as “predatory lending”. They take a variety of forms such as “refinance offers”, “home equity loans”, or “mortgage brokers”. These lending schemes often involve questionable upfront fees, excessive interest, points, and miscellaneous fee charges, and, especially in the case of “mortgage brokers”, charges for service you could just as easily perform yourself. These scams are high risk and often leave their victims in worse financial shape.

In recognition of the magnitude of this problem our federal government is cracking down on scammers. The Federal Reserve is targeting nine states hardest hit by foreclosures (Michigan is one) with a 30-second commercial warning consumers about foreclosure scams. The Federal Trade Commission and Departments of Justice, Treasury, and Housing and Urban Development are also working together to aggressively pursue scammers. As an individual take a proactive approach. Knowledge is a powerful tool—use it to protect yourself against this growing threat. Do your homework. Seek the advice and services of reputable professionals (preferably recommended to you by a trusted source) and,

as a general rule, be especially cautious with professionals who solicit you. The Federal Reserve Board offers these Quick Tips for avoiding foreclosure scams:

- Work only with a nonprofit HUD-approved counselor;
- Don't pay an arm and a leg;
- Be wary of "guarantees";
- Know what you are signing;
- If it sounds too good to be true, it probably is.

Lawyers at the Legal Hotline can answer your questions about foreclosure and foreclosure scams. You can call the Hotline (800-347-5297) from 9-5 weekdays to set an appointment to have a lawyer call you back, usually the same day.