



Mortgage Assistance Scams

From the Office of Minnesota Attorney General Keith Ellison

Homeowners needing mortgage assistance are sometimes preyed upon by scam artists who charge up-front fees and fail to deliver on promises to save a home from foreclosure or to modify a borrower's loan terms. No homeowner should pay fees up front for mortgage assistance. There are nonprofit organizations that provide mortgage assistance for *free* as part of their mission.

WARNING!

BORROWERS SHOULD **NEVER** PAY FEES UP FRONT TO OBTAIN ASSISTANCE FROM A FORECLOSURE CONSULTANT. HELP IS AVAILABLE **FOR FREE** FROM NONPROFIT ORGANIZATIONS. CONTACT YOUR LENDER AND A **REPUTABLE COUNSELOR** AT THE FIRST SIGN OF TROUBLE IN PAYING YOUR MORTGAGE.

If you are a homeowner that has fallen behind on your mortgage payments, you are not alone. Millions of Americans face mortgage problems. If you are faced with rising adjustable mortgage rates, mortgage default, or foreclosure, arm yourself with information, get the *right kind* of help, and take decisive action to protect your interests.

Mortgage Assistance Scams

There are several types of mortgage assistance scams that can waste homeowners' money and precious time: 1) Foreclosure Consultant Scams, 2) Mortgage Modification Scams, 3) Forensic Loan Audit Scams, and 4) Refinance Scams.

1. Foreclosure Consultant Scams. Foreclosure Consultant Scams typically target a borrower whose mortgage is in default or who is already facing the foreclosure process. Some

organizations or individuals may represent themselves as counseling agencies but are actually only out to make a profit off the misfortune of others. Typically, these entities will ask for up-front fees in exchange for "counseling" services such as financial advice, negotiating payments or other solutions with the lender, or exploring the sale of the property. These are services that borrowers can do themselves and may be offered for *free* by reputable organizations. Scam artists that collect up-front fees may not actually provide any of the services promised or may even disappear overnight. **Under Minnesota law, a foreclosure consultant is prohibited from collecting a fee until after it has provided a service to you.** Don't be scammed by Mortgage Foreclosure Consulting Scams!

2. Mortgage Modification Scams. A new breed of predatory practice, spun off from the foreclosure consultant scam, emerged during the foreclosure crisis: the Mortgage Modification Scam. The Mortgage Modification Scam typically targets homeowners who may not yet be in mortgage default or foreclosure but who are concerned about resetting interest rates or worried about their ability to continue making their payments in a troubled economy. Homeowners seeking legitimate assistance are targeted by mortgage modification predators that make empty promises to save their home, modify their mortgage, or provide other mortgage assistance, usually in exchange for the payment of hefty up-front fees. Don't pay these up-front fees!

3. Forensic Loan Auditors. Forensic Loan Auditors sell a "Forensic Loan Audit," which the "auditor" claims will discover violations of any state and federal mortgage-lending laws in the homeowner's mortgage loan. The "auditor" further claims that these legal violations will provide the homeowner

with “ammunition” that the homeowner can use against the lender to obtain a faster or more favorable loan modification or to obtain other foreclosure relief. Like Foreclosure Consultants and Mortgage Modification Scams, Forensic Loan Auditors typically ask homeowners to pay hefty up-front fees for their services. In truth, there is no evidence to support the claim that forensic loan audits will help homeowners obtain a loan modification or other foreclosure relief, even if they are performed by a licensed auditor, mortgage professional, or attorney. Don’t be fooled by Forensic Loan Audits!

- 4. Refinance Scams.** Some homeowners become the target of fraudulent refinancing offers. Such fraudulent refinancing offers may begin with a call from an “underwriter,” who may convince the homeowner into believing that the call is from the homeowner’s current mortgage lender and make a refinance offer that is hard to pass up (whether due to low interest rate, no closing costs, guaranteed approval, or the like). After convincing the homeowner to refinance, the homeowner is asked to pay a fee to proceed, but once the homeowner pays the fee, nothing happens and the homeowner is out thousands of dollars. Don’t be pressured to make such an important financial decision right away!

Homeowners should also be wary of any company, whether it be a Foreclosure Consultant, Mortgage Modification Company, or Forensic Loan Auditor, that claims to be “attorney-backed” or that uses attorneys. These companies may tell homeowners that they are exempt from Minnesota’s law prohibiting up-front fees because they use attorneys and that homeowners will receive better service because they are working with attorneys. In reality, these companies at best often use out-of-state lawyers who are not authorized to practice law in Minnesota. These out-of-state lawyers typically require homeowners to sign retainer agreements that provide only minimal services, and homeowners often pay thousands of dollars and receive no results. Don’t let this happen to you! Find the *right kind* of help.

Find the “Right” Kind of Help

If you experience financial trouble that may jeopardize your mortgage payments, ask for help. Timely action can make the difference! The following agencies and organizations may be available to provide information, referrals, and assistance to homeowners regarding foreclosure issues:

U.S. Department of Housing and Urban Development (HUD)

Minnesota Field Office
920 2nd Avenue South, Suite 1300
Minneapolis, MN 55402-4012
(612) 370-3000
apps.hud.gov/offices/hsg/sfh/hcc/fc/

HOPE NOW Alliance

600 13th Street NW, Suite 400
Washington DC 20005
(202) 589-2449
www.hopenow.com

Minnesota Housing Finance Agency

400 Wabasha Street, Suite 400
St. Paul, MN 55102
(651) 296-7608 or (800) 657-3769
www.mnhousing.gov

Minnesota Homeownership Center

1000 Payne Avenue, Suite 200
St. Paul, MN 55130
(651) 659-9336 or (866) 462-6466
www.hocmn.org

Lutheran Social Services Financial Counseling

424 West Superior Street, Suite 600
Duluth, MN 55802
(888) 577-2227 or (218) 529-2227
www.lssmn.org/Housing-Counseling

Contact your lender as soon as possible if you are having trouble making your mortgage payments. Ask the lender what the options are. Don’t ignore the problem or correspondence from the lender, as late charges (and other fees) can pile up, compounding the problem. Be realistic about your financial situation.

Since each person's situation is different, there may be a range of solutions. For instance, some borrowers may fall behind temporarily due to a change in work status, health issues, or other short-term economic changes. Other borrowers may have long-term problems in their ability to pay a given mortgage because they could not afford the loan in the first place or their Adjustable Rate Mortgage (ARM) rate has increased. If you're behind in your payments, consider the following tips:

- 1. Find a reputable mortgage counselor.** Contact the Minnesota Housing Finance Agency or U.S. Department of Housing and Urban Development (HUD) to find an approved counselor. A reputable counselor may be able to help you locate funding assistance or negotiate a solution with your lender.
- 2. Request a loan modification.** The lender may be willing to permanently modify the terms of the loan to make it more affordable for you. For instance, if you have an ARM that is set to increase more than you can afford, ask the lender to modify your mortgage into a fixed-rate loan that you can afford.
- 3. Refinance with a new loan.** You may be able to find another lender that will give you a loan with better terms (such as a fixed rate) that are more manageable. Before pursuing refinancing, however, review your current loan to determine whether it contains a prepayment penalty. Be on the lookout for refinance scams, and don't feel pressured to make a decision right away. Although rates may go up or down, taking a day or two to consider your refinancing options should not alter any refinance offer too drastically.

- 4. Consider reinstatement.** Under a reinstatement, you pay off the past-due amount and any fees in order to bring the mortgage current again. Reinstatement may be a good option if your default was caused by temporary financial fluctuations that you are able to rectify.
- 5. Ask for a forbearance.** A forbearance may reduce or temporarily suspend your monthly payments until a set date, allowing you to get back on your feet and begin repaying the mortgage.
- 6. Set up a repayment plan with the lender.** Ask the lender to allow you to pay the past-due amount in partial payments with each of your monthly payments, rather than all at once. This may be more manageable than having to pay back the past-due amount all at once.
- 7. Ask the lender to waive fees or penalties.** A lender may be willing to waive fees, penalties, or other charges if it believes in good faith that a resolution can be reached where you can begin making timely monthly payments and repay the past-due principal and interest.
- 8. Explore selling the home.** In some cases, selling the house may be the best option. If you have equity built up in the property, meaning you owe less than it is worth, this may allow you to benefit financially and perhaps afford another home.

For more information or assistance, or to file a consumer complaint, you may contact the Attorney General's Office as follows:

Office of Minnesota Attorney General

Keith Ellison

445 Minnesota Street, Suite 1400

St. Paul, MN 55101

(651) 296-3353 (Twin Cities Calling Area)

(800) 657-3787 (Outside the Twin Cities)

www.ag.state.mn.us