



## Consumer Advisory

# OCC Consumer Tips for Avoiding Mortgage Modification Scams and Foreclosure Rescue Scams

Scams that promise to “rescue” you from foreclosure are popping up at an alarming rate nationwide, and you need to protect yourself and your home.

If you’re falling behind on your mortgage, others may know it, too — including con artists and scam artists. They know that people in these situations are vulnerable and often desperate. Potential victims are easy to find: mortgage lenders publish notices before foreclosing on homes. Private firms frequently compile and sell lists of these foreclosed properties and distressed borrowers. After reading these notices, con artists approach their targets in person, by mail, over the telephone, or by e-mail. They often advertise their services on television, radio, or the Web, and in newspapers, describing themselves as “foreclosure consultants” or “mortgage consultants,” offering “foreclosure prevention” or “foreclosure rescue” services. And they are only too happy to take advantage of homeowners who want to save their homes.

If someone offers to negotiate a loan modification for you or to stop or delay foreclosure for a fee, carefully check his or her credentials, reputation, and experience, watch out for warning signs of a scam, and always maintain personal contact with your lender and mortgage servicer. Your mortgage lender can help you find real options to avoid foreclosure. It is important to contact your mortgage lender early to preserve all your options. There are legitimate consumer financial counseling agencies that can help you work with your lender.

This Consumer Advisory, issued by the Office of the Comptroller of the Currency (OCC), describes common scams, suggests ways to protect yourself, provides information on U.S. government loan programs and counseling resources, and lists 10 warning signs of a mortgage modification scam.

### Common Types of Scams

Here are some examples of scams related to mortgage modification and foreclosure avoidance.

- **Foreclosure “rescue” and refinance fraud.** The scam artist offers to act as an intermediary between you and your lender to negotiate a repayment plan or loan modification and may even “guarantee” to save your home from foreclosure. You may be told to make mortgage payments to the scammer directly — along with significant, up-front fees — and be told that the scammer will forward the payments to your lender. In reality, the scammer may pocket your money and leave you in worse shape on your loan. The scam artist also may tell you to stop making payments or stop communicating with your lender. Don’t follow that advice.  
  
Remember that your mortgage lender should be the starting point for finding options to avoid foreclosure. You also should consider contacting qualified and approved credit counselors.
- **Fake “government” modification programs.** Unscrupulous people may claim to be affiliated with, or approved by, the government or may ask you to pay high up-front fees to qualify for government





## Ten Warning Signs of a Mortgage Modification Scam

- 1** *“Pay us \$1,000, and we’ll save your home.”*

Some legitimate housing counselors may charge small fees, but fees that amount to thousands of dollars are likely a sign of potential fraud — especially if they are charged up-front, before the “counselor” has done any work for you. Be wary of companies that require you to provide a cashier’s check or wire transfer before they take any action on your behalf.
- 2** *“I guarantee I will save your home – trust me.”*

Beware of guarantees that a person or company can stop foreclosure and allow you to remain in your house. Unrealistic promises are a sign that the person making them will not consider your particular circumstances and is unlikely to provide services that will actually help you.
- 3** *“Sign over your home, and we’ll let you stay in it.”*

Be very suspicious if someone offers to pay your mortgage and rent your home back to you in exchange for transferring title to your home. Signing over the deed to another person gives that person the power to evict you, raise your rent, or sell the house. Although you will no longer own your home, you still will be legally responsible for paying the mortgage on it.
- 4** *“Stop paying your mortgage.”*

Do not trust anyone who tells you to stop making payments to your lender and servicer, even if that person says it will be done for you.
- 5** *“If your lender calls, don’t talk to them.”*

Your lender should be your first point of contact for negotiating a repayment plan, modification, or short sale. It is vital to your interests to stay in close communication with your lender and servicer, so they understand your circumstances.
- 6** *“Your lender never had the legal authority to make a loan.”*

Do not listen to anyone who claims that “secret laws” or “secret information” will be used to eliminate your debt and have your mortgage contract declared invalid. These scammers use sham legal arguments to claim that you are not obligated to pay your mortgage. These arguments don’t work.
- 7** *“Just sign this now; we’ll fill in the blanks later.”*

Take the time to read and understand anything you sign. Never let anyone else fill out paperwork for you. Don’t let anyone pressure you into signing anything that you don’t agree with or understand.
- 8** *“Call 1-800-Fed-Loan.”*

This may be a scam. Some companies trick borrowers into believing that they are affiliated with or are approved by the government or tell you that you must pay them high fees to qualify for government loan modification programs. Keep in mind that you do not have to pay to participate in legitimate government programs. All you need to do is contact your lender to find out if you qualify.
- 9** *“File for bankruptcy and keep your home.”*

Filing bankruptcy only temporarily stops foreclosure. If your mortgage payments are not made, the bankruptcy court will eventually allow your lender to foreclose on your home. Be aware that some scammers will file bankruptcy in your name, without your knowledge, to temporarily stop foreclosure and make it seem as though they have negotiated a new payment agreement with your lender.
- 10** *“Why haven’t you replied to our offer? Do you want to live on the streets?”*

High-pressure tactics signal trouble. If someone continually contacts you and pressures you to work with them to stop foreclosure, do not work with that person. Legitimate housing counselors do not conduct business that way.