

## How can I steer clear of foreclosure scams?

Also: What's the best way to use my money to boost the economy?

By John W. Schoen

Senior producer

updated 5:49 p.m. ET, Sun., April 12, 2009

There are lots of good people out there who can help you get a better mortgage. And then there are the scammers. How do you tell the difference?

**Are there any legit nonprofit agencies to work with on loan modification? If so, how does one identify a legitimate agency from a scam?**

— *Kara S., Homewood III.*

There are many honest, qualified and caring professionals who are trying to help the millions of American homeowners who are struggling with their mortgages and at risk of losing their homes. And they're very easy to find. (More on that in a minute.)

Unfortunately, there are also hundreds — probably thousands — of unbelievably sleazy con artists who are posing as legitimate housing counselors and inflicting even more pain and suffering among homeowners already in financial distress.

The first round of mortgage fraud — the mid-decade wave of rogue lending that arguably got us into this mess in the first place — has now been replaced by a second, even more despicable scam called “foreclosure rescue.” These folks often refer to themselves (not completely erroneously) as “foreclosure specialists.” What they specialize in is ripping off people who are desperate for help at one of the most vulnerable points in their lives.

Part of the problem is that the victims of this scam are such easy targets. Once you get in trouble with a mortgage, it becomes a matter of public record — even at the earliest “pre-foreclosure” stages. To get started on this fraud, all it takes is a trip to the local town or county clerk's office to compile a fresh list of potential victims. Many states make life even easier for the scammers by requiring lenders to publish foreclosure notices in the newspaper.

There are variations on the “rescue” scam, but you should be aware of the common elements and red flags. The first is the demand for a large, up-front fee connected to sweeping promises to resolve your mortgage trouble in short order. This is the “if it sounds too good to be true” red flag.

The next warning sign is any “solution” that involves you signing over the deed to your house. There are several very plausible scenarios scammers use to sell homeowners on this idea, but no legitimate housing counselor will ever suggest you do so. Ditto for instructions to make

mortgage payments directly to the counselor. Or offers to buy your house and rent it back to you. Or advice to not contact your lender or lawyer and work only through the mortgage counselor.

If you hear any one of these statements, promptly stand up and leave — or hang up and don't call back. No "Thanks for your time" is required on your part.

To contact a legitimate counselor, go to the Web site for the [Department of Housing and Urban Development](#) — which certifies legitimate housing counselors — to find an accredited agency near you. You can also get a referral from the [National Foundation for Credit Counseling](#), a nationwide network of local counseling agencies that help people with a broad range of consumer lending issues. Most homeowners who get in trouble with a mortgage also have other credit problems. A qualified credit counselor can help you with those, too.

If you're having trouble, there's no need to wait to find a good counselor to get started. Contact your lender as soon as you think you may need help. If you're behind, don't ignore your lender's letters or calls; the longer you wait, the harder it will be to get your loan modified.

But there are no guarantees. Despite the government's recent commitment of \$75 billion to promote loan modifications, the program is voluntary. If a lender modifies a loan to a more affordable monthly payment, they get paid a government bonus. But there's no requirement that they do so.

## **Red flags**

### **No legitimate housing counselor will:**

- Guarantee to stop a foreclosure
- Tell you not to contact your lender or lawyer
- Collect a fee before providing you with services
- Ask for payment only by cashier's check or wire transfer
- Encourage you to lease your home and buy it back over time
- Collect mortgage payments from you directly
- Tell you to transfer your property deed or title
- Offer to buy your house for cash
- Offer to fill out paperwork without explaining it in detail
- Pressure you to sign paperwork you haven't had a chance to read thoroughly or that you don't understand.