



## INFORMATION FOR CLIENTS OF TEXAS ATTORNEYS

The information included in this column is for educational and informational purposes only. Please consult an attorney regarding specific legal questions.



# Protect Yourself From Mortgage Loan Scams

The FBI describes mortgage fraud as one of the fastest-growing white-collar crimes in America. As the number of foreclosures grows, so does the number of thieves trying to swindle money from homeowners by preying upon their fears of losing a home. Protect yourself by learning how to distinguish legitimate organizations from criminals.

### Types of Scams *Lease-back or Repurchase Scams*

A company promises to pay off your delinquent mortgage, repair your credit, and possibly pay off credit cards and other debt. In exchange, you are required to sign a deed (sometimes referred to as a quitclaim deed), temporarily transferring your house to a third-party investor. You are told that you can stay in your home as a renter and buy your home back when your financial situation improves.

**The scam:** The scammer gains control of your house. You could be evicted, and the “temporary” new owner doesn’t have to let you buy back your house.

### *Refinance Scams*

People posing as mortgage brokers or lenders offer to refinance your loan so that you can afford the payments.

**The scam:** The scammer has you sign a foreclosure rescue loan document that is actually a deed transfer.

### *Partial-interest Bankruptcy Scams*

A company promises to save your home from foreclosure if you (1) give a partial interest in your home to one or more persons and (2) make mortgage payments to the company instead of to your mortgage lender.

**The scam:** Instead of paying the mortgage lender, the scammer keeps your money. Each person who holds a partial interest in your home files for bankruptcy. The bankruptcy court issues



a stay order that temporarily stops foreclosure, but these stays don't forgive your mortgage or allow you to stop making mortgage payments. Once the bankruptcy stay orders run out, you are now even further behind on your mortgage, and you have lost all the money that you paid to the scammers.

### Internet and Phone Scams

A scammer convinces you to apply for a low-interest mortgage over the phone or the Internet. Your "application" is immediately approved and you are asked to send them your Social Security number, bank account number, and other financial information.

**The scam:** The scammer wants to steal your identity or drain your bank account.

### Phantom Help Scams

Companies falsely claiming to be affiliated with government and government housing assistance programs say that they will negotiate with a mortgage lender or servicer to obtain a government loan modification, short sale, or other relief from foreclosure in exchange for a fee.

**The scam:** The scammer runs off with your upfront fee or charges outrageous fees for performing light paperwork or making occasional phone calls that you could have easily made yourself.

### Signs of a Potential Loan Scam

**Someone asks for a fee in advance to work with your lender to modify, refinance, or reinstate your mortgage.** No legitimate organization that works with borrowers to avoid foreclosure will ever ask for money up front.

**Someone guarantees that they can stop a foreclosure or get your loan modified.** Legitimate, trustworthy counseling agencies approved by the U.S. Department of Housing & Urban Development (HUD) will promise only that they will try their very best to help you.

**Someone advises you to stop paying your mortgage company and pay someone else instead.** Never send a mortgage payment to anyone other than your mortgage lender, and watch out for companies that recommend you cut off contact with your lender or with counselors who are helping you.

**Someone pressures you to sign over the deed to your home or sign paperwork that you haven't had a chance to read and fully understand.** A legitimate counselor would never pressure you to sign a document before you have had a chance to read and understand it. Don't believe promises that aren't put in writing, and make sure not to sign a document that has blank lines or spaces.

**Someone claims to offer "government-approved" or "official government" loan modifications.** These people may be scam artists posing as legitimate organizations approved by, or affiliated with, the government. Contact your mortgage lender to find out if you qualify for government programs to prevent foreclosure.

**Someone you don't know asks you to release personal financial information online or over the phone.** Only give this type of information to companies you know and trust, such as your

mortgage lender or a HUD-approved counseling agency.

### Information

- The Texas Attorney General's office keeps a list of alleged scammers at [www.oag.state.tx.us/consumer/mortgage\\_fraud.shtml](http://www.oag.state.tx.us/consumer/mortgage_fraud.shtml).
- Prevent Loan Scams — a project of the Lawyers' Committee for Civil Rights Under Law — has nationwide scam reports at [www.preventloanscams.org](http://www.preventloanscams.org).
- To see if other homeowners have submitted complaints about an organization, contact the Better Business Bureau. ☛

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