

Foreclosure "Rescue" Scams

"Give me five minutes with a person's checkbook, and I will tell you where their heart is."

-- Billy Graham, American evangelist

Tennessee has had a recent increase in home foreclosures – and in foreclosure 'rescue' scams. Scammers take advantage of desperate victims, swindling them out of hundreds or thousands of dollars – and sometimes the titles to their homes.

Q. How do foreclosure 'rescue' scammers find their victims?

Information about pending foreclosures is publicly filed. Scammers acquire these listings, and then victims get letters, telephone calls, or visits from persons offering to help avoid foreclosure.

Q. How do the scams work?

There are several different scams. One scam requires victims to pay \$600 for the secret to stopping a foreclosure. Victims then get a lot of paper that amounts to this piece of advice: "Try to file for bankruptcy."

Another rip-off is the "phantom help" scheme. A scammer charges thousands of dollars to complete various forms and to make phone calls to "negotiate" with your mortgage company – but does nothing that makes a difference.

Sometimes scammers pay your overdue mortgage payments on the condition that you sign over your home, with the "promise" that you can buy it back later. The catch is that the terms of the papers you sign make it difficult or impossible for you to regain title to your home. You end up losing your home and your equity value in your home.

Q. What are the warning signs of a foreclosure "rescue" scam?

There is a good chance that you are the target of a scam if:

- You got contacted without calling anyone;
- You only get counseling from the person who is calling to 'help:'
- You are pressured to agree to the transaction right away, without consulting a lawyer or a Realtor®;
- You are rushed to sign documents without reading them;
- You are not dealing with a licensed bank or lender;

- The 'rescuer' requires you to sign over your house, and promises that once you have caught up with past due mortgage payments, your home will be signed back over to you.

Q. What are key "do's and don'ts" when facing foreclosure?

- Do call your mortgage company or lender if you're having trouble. Ask for the loss mitigation department, which may help you work out a way to catch up what you owe.
- Don't call a "telephone pole advertiser" to get help.
- Do proceed with extreme caution if contacted by a "mortgage consultant" or a "foreclosure service" or something similar.
- Don't fall for promises like "we'll save your credit" or "sign it over to us and we'll sign it back to you."
- Don't rely on any verbal promises.
- Don't sign away ownership of your property to anyone without consulting with a trusted professional, such as a lawyer or a Realtor.
- Don't panic – but do seek help from a trusted professional. If you decide that you cannot keep your home, try contacting your foreclosing lender to ask for additional time to list your home with a real estate professional to get you the highest sale price.

by Jim Hawkins, Managing Attorney, Gallatin office, Legal Aid Society

Note: This community education column from the Legal Aid Society is not intended to take the place of legal advice. All cases are different and need individual attention. Consult with a private attorney of your choice to review the facts and law specific to your case.

The Legal Aid Society is a non-profit law firm, not a government agency, and all calls are strictly confidential. If you need more information on this or other common legal problems, please call 1-800-238-1443 or visit our Web site at www.las.org. Many previous "Legal Notes" newspaper columns are available on the Web site.

Legal Aid is funded in part by the Legal Services Corporation, contributions to an annual fundraising campaign, the Tennessee Bar Foundation, the Access to Justice Fund, and the United Way. January 23, 2008

