



## **HOME EQUITY THEFT & FORECLOSURE RESCUE SCAMS**

### **How they work and how to avoid them**

If you have fallen behind on your mortgage payments and your home is in foreclosure or default, be aware that you and your home may become targets for home equity theft or foreclosure rescue fraud scams.

The perpetrators of these scams claim they can solve your debt problems and stop your foreclosure. They then use deceptive tactics to obtain ownership of your home for a fraction of its market value, and leave you homeless yet still the holder of the mortgage that is still in foreclosure.

If you are having problems making your mortgage payments or are in default or foreclosure, contact your lender immediately. Lenders would generally prefer to work out a new payment plan, than actually go through the complex process of foreclosure. You can also **call the Banking Department's Consumer Helpline, at 1-877-BANK-NYS (1-877-226-5697)** for more information on your options and resources. For more information on avoiding foreclosure, see our fact sheet called *What to Do When You Can't Afford Your Mortgage*.

**If you are facing foreclosure, you should know your rights under the law and be aware of the signs that someone is attempting to take advantage of you.**

#### **How do these scammers find you?**

When your home enters foreclosure, your lender files a record of foreclosure—called a “lis pendens”—with the local county clerk’s office. The county clerk’s office publishes a list of all recorded foreclosures in the county, including the address, on a weekly basis in local newspapers. Scammers obtain these lists to find vulnerable homeowners.

The scammer will contact you by mail, by telephone or even by knock on your door, and offer you some sort of financial solution to your foreclosure or default. Sometimes these scammers will target entire neighborhoods or cities by posting advertisements and fliers marketing their services. In these offers, they claim to be able to “stop foreclosure”, “save your home” or get you “quick cash for your home.”

#### **How the scammer deceives you**

These predators try to convince you that they want to “rescue” you from foreclosure and offer you one of any number of fraudulent “solutions”, including:

- Buying your home so that you can pay off your mortgage and then live in the house as a renter, at a low rent, until you can afford to buy back the home;
- Paying your mortgage in exchange for temporarily holding the deed to the home, allowing you to live in the home as a renter, at a low rent, until you can afford the mortgage payments again;
- Asking you to put the deed to your house in another person’s name (who allegedly has better credit than you do) so that the scammer can find you new and more affordable financing;
- Making a low-cost loan to you so that you can pay off some or all of your mortgage, and then pay back the scammer, who holds the deed to the house as collateral; and
- Offering to negotiate on your behalf with your lenders for reduced interest rates and debt forgiveness.

Once you agree to one of these “solutions”, the scammer then steals your home or your equity by using deceiving practices such as:

- Convincing you to sign a contract that seems to be for the legitimate sale of your home to the scammer, but actually just gives over your home’s deed to the scammer with no requirement for any payment to you;
- Convincing you to sign a contract with a buyback agreement that states you must pay an enormous fee when you buy your home from the scammer, or states you must buy back the home within an extremely short period of time, making it impossible for you to ever save enough money to do so;
- Charging you extremely high interest rates and fees on what was promised to be a “low-cost” loan with which you could pay off your mortgage, and then taking the deed to your home when you default on that loan;
- Actually buying your home from you, but then charging you huge hidden fees that suck up much or all of the proceeds of the sale;
- Charging you huge fees for “negotiating work” with the lender that is either never done, or that could have been done by yourself;
- Lying to you about the length of time you have before your house is put up for foreclosure auction, pressuring you to sign documents quickly and without reading them; and refusing to allow you to speak to your lender or to your own lawyer.

Ultimately, the scammer has either bought your home for a fraction of its legitimate price or has actually stolen the deed to your home without a penny of payment, leaving you homeless but still responsible for the mortgage, which is still in foreclosure! In some cases you might keep ownership of your home, but pay so many fees or so much interest that you are broke and have no money for future payments.

### **Avoid being scammed**

Never do business with anyone who calls you, mails you, or knocks on your door with offers to help fix your foreclosure or default. Do not respond to advertisements and fliers making similar offers.

If you are having problems making your mortgage payments or are in default or foreclosure, contact your lender immediately. Lenders would almost always rather work out a new payment plan, than actually go through the complex process of foreclosure.

If you are facing foreclosure, contact a certified housing counselor; you can find one in your area by calling the Banking Department’s Consumer Helpline at 1-877-BANK-NYS (1-877-226-5697). Housing counselors *can* help you, unlike scammers; they can give you advice on your options and resources, can help you find free legal services, and can help you negotiate better financing for your loan.

Never sign any papers or contracts and never enter into any agreement without first consulting your own lawyer—not a lawyer provided by the individual offering to “help.” If you do not have your own lawyer, call the New York State Bar Association’s Lawyer Referral Program at 1-800-342-3661 to find one.

If you do not think you can afford a lawyer, call the Banking Department’s Consumer Helpline at 1-877-BANK-NYS (1-877-226-5697) for assistance in locating free legal services in your area.

**If you think you have been scammed, call the Banking Department to learn more about your rights under the law or to file a complaint at 1-877-BANK-NYS (1-877-226-5697).**