



Stop Foreclosure  
Prevention Scams

LOAN MODIFICATION SCAM  
**ALERT**

## » Stopping foreclosure prevention scams in Minnesota

The foreclosure prevention scam “industry” did not exist three years ago, but by the end of 2009 business was booming. The Federal Trade Commission recorded only one foreclosure scam complaint in 2008, but in 2009, the agency received nearly 8,000 complaints.

### Signs of scams

No one knows the full scope of foreclosure prevention scams because such companies rarely register with the appropriate legal authorities and can often go unreported by the homeowners they target. However, these scams often share several unsavory characteristics, such as:

- **Targeting Distressed Borrowers.** Scamming companies tend to focus their direct mail, flyers and other publicity efforts in communities with high concentrations of adjustable rate mortgages or sub-prime loans, among seniors, and in poor and limited English communities.
- **Using Federal and Official-Sounding Names.** Names like “Federal Loan Modification Law Center,” “Hope Now Modifications, LLC,” and “Bailout.hud-gov.us” strive to create false connections to legitimate federal home owner assistance programs. Scam company websites also often feature falsified logos from the Better Business Bureau, the U.S. Department of Housing and Urban Development (HUD) and other reputable agencies.
- **Hiding in Plain Sight.** Scam companies rely on highly-visible web, radio and newspaper advertising, along with direct mail and distributed flyers, to promote their for-fee services. More troubling still, the advertisements strive to make the scamming companies resemble the free, trusted nonprofit foreclosure prevention services that are available to area home owners.

### Tricks of the trade

Foreclosure prevention scams are as numerous as the companies who perpetrate them, but most follow one of four trends:

1. **Phantom Help.** A fraudulent company collects an up-front fee from home owners trying to save their homes from foreclosure, and then disappears.
2. **Bankruptcy Foreclosure.** Scammers promise to negotiate with the lender for refinancing on the consumer’s behalf. Instead of contacting the lender or refinancing the loan, the scam company pockets the fee and files for bankruptcy in the consumer’s name – sometimes without the consumer’s prior knowledge.
3. **Lease Buy-Back.** A home owner facing foreclosure signs over the deed to a company or individual who promises to buy it and then sell it back at a later time when home owner finances are in order. The home owner is promised that they will be allowed to rent the property in the interim. However, when the company or individual takes over, they evict the original home owner, stripping them of their home and equity.
4. **Reverse Mortgage.** A home owner who has lost income is offered a loan for monthly payments from the equity of their home. While sometimes legitimate, scammers often use this approach to charge sky-high fees and, at times, take immediate ownership of the home.

No matter the approach, for-profit foreclosure scams unnecessarily strip homeowners of their limited resources and often increase a homeowner’s danger of foreclosure by delaying real help. If you see a potential scammer, call the Minnesota Attorney General’s Office at **(800) 657-3787** to report their questionable work.

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