



*Solving the foreclosure crisis
one homeowner at a time.™*

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AVOIDING **MORTGAGE** **MODIFICATION** SCAMS



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WITH MORE AND MORE SCAMS APPEARING EACH DAY, HOW CAN YOU BE SURE TO STEER CLEAR OF EXPLOITATION AND MISTREATMENT?

If you or someone you know is struggling to make mortgage payments, understand that you are not alone. At the end of 2009, nearly one in six homeowners had defaulted on their mortgage. This means millions of Americans need help in stabilizing their financial situation. Unfortunately, it also means many are falling victim to those looking to taking advantage of this situation by exploiting homeowners who need real solutions.

While it is important for you to find the right professional to assist your efforts, it is equally important to avoid the wrong kind of help: predatory schemes disguised as assistance. With the growing number of distressed homeowners in America, there is a corresponding growth in deceitful business schemes aimed at manipulating those in distress.

Whether or not you decide to contact me for assistance, it is vital for you to understand and recognize deceitful practices in the industry. Let me explain what you need to know to avoid becoming a victim yourself.





MORTGAGE MODIFICATION REALITY

Of all the homeowners facing the possibility of foreclosure, only a select few can actually qualify for a mortgage modification. You have to be only slightly out of reach of making your mortgage payments for a modification to be successful. By lowering the interest rate on the mortgage, a modification can make payments easier to handle.

“We have repeatedly found that these foreclosure rescue operations are swindling desperate homeowners out of money they can’t afford to lose. ... They don’t call your lender, they don’t modify your loan, and they don’t represent you in court if you’re in foreclosure. All they do is take your money.”

Illinois Attorney General, Lisa Madigan

<http://www.usdoj.gov/opa/pr/2009/April/09-opa-311.html>

The problem is, most distressed homeowners are so far behind on their mortgages that they can’t even make their modified payments during the trial period, so the modifications never become permanent. With so many hoping for a successful mortgage modification—and so few who actually qualify for it—there is a huge pool of struggling homeowners who are susceptible to false promises.





GOVERNMENT INVOLVEMENT

The Obama administration has brought increased attention to mortgage modifications as an alternative to foreclosure. Among the range of foreclosure avoidance options, a mortgage modification can work for distressed homeowners who can afford an adjustment to their monthly mortgage payments. If you think you may qualify for a mortgage modification, please contact me for a free evaluation of your situation.

The federal government has offered incentives for these modifications through its Home Affordable Modification Program (HAMP). Many lenders are now responding to the incentives by adjusting their policies on foreclosure avoidance.

But homeowners aren't the only ones looking to benefit from this market-wide push to increase mortgage modifications. Scammers and con artists have come up with new and innovative schemes to benefit from vulnerable homeowners. Since 2008, mortgage modification scams have been on the rise, and that rise is expected to continue.

"The FBI is investigating more than 2,100 mortgage fraud cases, up almost 400 percent from five years ago. "

U.S. Attorney General, Eric Holder in 2009

<http://www.justice.gov/ag/speeches/2009/ag-speech-090406.html>





"RED FLAGS" AND OTHER THINGS TO LOOK OUT FOR

"People facing foreclosure should avoid any company or individual that requires a fee in advance, guarantees to stop a foreclosure or modify a loan, or advises the homeowner to stop paying the mortgage company."

Federal Trade Commission

<http://www.ftc.gov/opa/2009/07/loanlies.shtm>

- 1.** Always avoid offers to modify your mortgage in exchange for upfront fees. No one should expect payment for mortgage modification services other than commission fees after the modification has been completed. POINT BLANK: Do not pay for the promise of results ... pay for the results themselves.
- 2.** Be suspicious of anyone who guarantees you a mortgage modification. Any legitimate agent or servicer should know that the mortgage modification process is complicated and dependant on many factors, and that to guarantee a successful modification is unrealistic. Fraudulent parties will make this promise to falsely raise your hopes, making them appear as though they are providing a rare opportunity. As common sense suggests, if it sounds too good to be true, it usually is.
- 3.** Certain frauds present themselves as government agencies or other authoritative entities by creating websites with official-looking seals, official-sounding names, or video clips of politicians. If someone claims to represent the government, a lending institution or a bank, be sure to verify his or her affiliation. The best way to do this is to check with your lender, Better Business Bureau, or the government's official Making Home Affordable website (<http://makinghomeaffordable.gov>).





4. Beware of people who pressure you to sign papers immediately, or who try to convince you that they can “save” your home if you sign or transfer over the deed to your house. This may be called “taking over your property subject-to existing financing.” But no matter what you are told about why you should sign over the deed, understand that once this is done, you no longer have legal rights to the property and can be removed from it. Always seek counsel before proceeding with an option like this.

WHAT SCAMS ARE HAPPENING RIGHT NOW?

Financial institutions around the country are asked by the Treasury Department to submit Suspicious Activity Reports (SARs) for any transactions they consider fraudulent or predatory. The Financial Crimes Enforcement Network (FinCEN) is tasked by the Treasury to collect and analyze these reports. FinCEN noted two distinct types of loan modification scams that were most commonly experienced by distressed homeowners.

“First, scammers conned homeowners into signing quit-claim deeds to their properties, then sold homes from under the former owners to straw (fabricated) borrowers; the homeowners subsequently received eviction notices. Second, other scammers falsely claimed affiliations with lenders to convince distressed home-owners to pay large advance fees for modification services, but failed to take any action on the homeowners’ behalf.”

Financial Crimes Enforcement Network

http://www.fincen.gov/news_room/nr/html/20100218.html





Some other types of fraudulent activity reported by FinCEN involved debt elimination schemes. Scammers would provide homeowners with documentation that falsely interpreted federal laws to contest mortgages, convincing the homeowner that their loans were “illegal” and therefore should not be paid. The reports seen by FinCEN also noted self-proclaimed loan modification specialists who targeted homeowners not actually in danger of foreclosure. These victims were lured by promises of access to funds from federal programs.

These examples of fraud show the importance of validating any claims about federal policy, lender policy or foreclosure avoidance options. Again, a good reference for current government policy on mortgage modification is <http://www.makinghomeaffordable.gov>.

REAL HELP IS AVAILABLE

The worst thing I could hear is that a client or member of my community was duped into an even worse financial situation by a predatory mortgage scheme. If you finish reading this report with nothing more than a heightened awareness of the reality of mortgage scams, I consider it worth my time and effort. Informed homeowners are the single most powerful deterrent of these terrible scenarios.

If you have any questions about avoiding mortgage scams, or if you need legitimate, professional help with avoiding foreclosure, please don't hesitate to contact me.

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