

Protecting Seniors: Financial Scams



Urban Affairs Coalition

Driving Change from the Ground Up

*This presentation was prepared for you by the
Community and Economic Development Department
of the Urban Affairs Coalition*



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Driving Change from the Ground Up

- As if the stress and fear of losing a home through foreclosure weren't enough, homeowners must be on alert for scam artists trying to take money that could be used to save the home.
- There are people and companies who prey on vulnerable homeowners. They make empty promises to work things out on behalf of the homeowner.

- Often, the homeowner is left with a foreclosure in their hands and the person who was supposed to work things out took their money and did little or nothing to prevent the foreclosure.
- It is important to bring the attention of homeowners to scams so they can protect themselves and increase the chances of staying in their homes.

- Although foreclosure rescue scams are on the rise, they aren't always easy to spot. Here are six red flags to help seniors to identify loan modification scammers:

This following information was is an excerpt from the Fall 2012 Edition of the Foreclosure Prevention Resource Guide

1. A company/person asks for a fee in advance to work with your lender to modify, refinance or reinstate your mortgage.
 - They may pocket your money and do little or nothing to help you save your home from foreclosure.

2. A company/person guarantees they can stop a foreclosure or get your loan modified. Nobody can make this guarantee to stop foreclosure or modify your loan.

- Legitimate, trustworthy HUD-approved counseling agencies will only promise that they will try their very best to help you.

3. A company/person advises you to stop paying your mortgage company and pay them instead.

- Despite what a scammer will tell you, you should never send a mortgage payment to anyone other than your mortgage lender.
- The minute you have trouble making your monthly payment, contact your mortgage lender.

4. Beware of claims of “government-approved” or “official government” loan modifications.

There may be scam artists posing as legitimate organizations approved by, or affiliated with, the government. Contact your mortgage lender first.

Your lender or nonprofit housing counselor may be able to tell you whether you qualify for any government programs to prevent foreclosure.

And, remember, payment is not normally required to benefit from government-backed loan modification programs.

5. A company/person you don't know asks you to release personal financial information online or over the phone.

- You should only give this type of information to companies that you know and trust, like your mortgage lender or a HUD-approved counseling agency.

Common Loan Modification Scams

*This following information was is an excerpt from the Winter/Spring
2012 Edition of the Foreclosure Prevention Resource Guide*

- **Phony Counseling or Foreclosure Rescue Scams**

Scam artists pose as a counselor and tell you they can negotiate a deal with your lender to save your house but only if you pay them a fee first.

- They may even tell you not to contact your lender, lawyer or housing counselor and that they will handle all details.

- They may even insist that you make all mortgage payments directly to them while they negotiate with the lender.

- Once you pay the fee, or a few mortgage payments, the scammer disappears with your money.

Common Loan Modification Scams

- **Fake “Government” Modification Programs**

Some scammers may claim to be affiliated with, or approved by, the government, or they may ask you to pay high, up-front fees to qualify for government mortgage modification programs.

- The scammer’s company name and website may sound like a real government agency.

- You may also see terms like “federal,” “TARP” or other words related to official U.S. government programs.

- **Fake “Government” Modification Programs (continued)**

- Your lender or housing counselor may be able to tell you if you qualify for any government programs to prevent foreclosure.

- You do not have to pay to benefit from these programs.

- **Rent-to-Own or Leaseback Scheme**

A scammer urges you to surrender the title of your home as part of a deal that will let you stay in your home as a renter and then buy it back in a few years.

➤ He may tell you that surrendering the title will permit a borrower with a better credit rating to get new financing and keep you from losing your home. However, the scammer may have no intention of ever selling the home back to you.

➤ The terms of these deals usually make buying back your home impossible. If the new borrower defaults on the loan, you'll be evicted.

- **Variations**

1. The scammer raises your rent over time to the point that you can't afford it.

- After missing several rent payments, you are evicted, leaving the "rescuer" free to sell your house.

2. The scammer offers to find a buyer for your home, but only if you sign over the deed and move out. The scammer promises to pay you some of the profits when the home sells.

- But the scammer simply rents out your home and keeps the profits while your lender proceeds with the foreclosure.

- You lose your home and are still responsible for the unpaid mortgage because transferring the deed does not affect your mortgage obligation.

Common Loan Modification Scams

- **Bankruptcy to Avoid Foreclosure**

The scammer may promise to negotiate with your lender or get refinancing on your behalf if you pay a fee up front.

- Instead of contacting your lender or refinancing your loan, he pockets the fee and files a bankruptcy case in your name—sometimes without your knowledge.

- A bankruptcy filing often stops a home foreclosure, but only temporarily. Filing bankruptcy stops any collection and foreclosure while the bankruptcy court administers the case.

- Eventually you must start paying your mortgage or the lender will be able to foreclose. You could lose the money you paid to the scammer and your home.

- **Reverse Mortgages to Avoid Foreclosure**

A reverse mortgage is a loan product that was intended for senior citizens (generally 62 and over) to borrow against the equity in their home if they have other expenses to take care of but have a limited income.

Reverse mortgage loans typically require no repayment for as long as you live in your home and allow borrowers to continue owning their homes.

Once the senior citizen leaves the home or passes away, the entire balance becomes due, and if it is not paid off, the home may be sold.

- **Reverse Mortgages to Avoid Foreclosure (continued)**

Although a reverse mortgage may be appropriate for some people, scammers picked up on this vulnerable population and used the reverse mortgage as a foreclosure rescue option for homeowners.

There are other ways to save your house, the reverse mortgage should be the last option after all options have been exhausted.

- **Advance Fee Loan Scams**

A perennial problem, advance fee loan scams prey on consumers and business owners who are struggling financially. Victims are told they qualify for large loans but must pay upfront fees—often more than a thousand dollars. The victim wires money to the scammers, but never receives the loan.

- **Over-Payment Scams**

Over-payment scams typically target small business owners, landlords or individuals with rooms to rent and sellers on classifieds or sites like Craigslist. The scammers overpay the amount for the services or products and then ask the victim to wire the extra amount back to them or to another fraudulent entity. Ultimately though, the check is forged and the victim is out the money wired back to the scammers.

Common Loan Modification Scams

Financial/Fraud Prevention Strategies

This following information was is an excerpt from the Winter/Spring 2012 Edition of the Foreclosure Prevention Resource Guide • Winter/Spring 2012 Edition

- Keep a list of all your credit cards in a safe place. If possible photocopy the front and back of all credit cards and identification cards. Carry credit cards only when you intend to use them
- Report a lost or stolen credit card or ATM card immediately, to the bank, credit card company and local police as well as the credit reporting agencies.
- Check your credit report regularly via the three credit reporting agencies: Transunion, Equifax and Experian.
- BE VERY CAREFUL when dealing with telemarketers.
- DO NOT give your social security number, date of birth or account numbers to person's calling over the phone.

Financial/Fraud Prevention Strategies

- Contact the Better Business Bureau to check the status of a business. Ask contractors for a least three non-family references. Call to check the references.
- Use a safe deposit box if necessary to safeguard financial papers like wills, advanced directives and power of attorney documents.
- **Never** invest in anything about which you know nothing. A website can be created as a false storefront. Conduct your due diligence by making sure that you are dealing with a real person and a legitimate business. Check out the company with the Better Business Bureau, check if the individual and company is registered and/or licensed with the appropriate Provincial or State Securities Commission, ask for references and find out if the company has a business license. This is even more important if you are considering investing offshore which is very high-risk.
- **Never** allow an Individual who solicits you at the door to repair or do renovations to your home. If your home requires renovations

Financial/Fraud Prevention Strategies

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