



06/10/2007

Preying on the Down and Out - Beware of Foreclosure Scammers

Home foreclosure has always been a nasty situation, yet unfortunately as the housing market has slowed and many high-risk adjustable rate mortgages are resetting at higher rates and payments, foreclosure is becoming a much more common event. Foreclosure filings have been rising over the past year, especially among subprime or poor credit borrowers. Many are finding that they did not truly understand the terms of their exotic loan, or that they simply cannot afford their current mortgages in a slumping housing market.

To make matters worse, there are plenty of unscrupulous individuals out there willing to make a quick buck by taking advantage of desperate homeowners on the brink of foreclosure. Once a home has been listed in the local papers as being in foreclosure, these shady characters will obtain the address and start trying to contact the owner. If you have found yourself facing foreclosure, be sure to recognize and avoid the following scams:

False Promises

Believe it or not, there are people out there claiming to be real credit or foreclosure counselors who in fact have no such credentials. They offer to make phone calls and fill out paperwork for you, promising you that they can save your home. The truth is that the "work" that they do on your behalf is something you could do yourself, instead of paying the huge fees they charge you. In most cases, these fraudsters do not end up helping you out of foreclosure; they simply take your money and run. To avoid this scenario, be sure to check out the licensing and background of any company you are considering working with. You can check out their business practices and past by visiting the website for the Better Business Bureau.

Equity Skimming

If you have significant equity in your home, there are some scammers who will approach you about either selling your home to them (at below-market values) or deeding your property over to them. In exchange, they promise to allow you to stay in the home as a renter and that they will let you buy your home back down the road, or that they will take care of your mortgage debt. The result is that the scammer will not make the mortgage payments on your current loan, your lender will foreclose on you, you will be kicked out and the scammer will sell your home, pocketing the profit from the home's equity. You should be wary of anyone approaching you, offering to bail you out of your foreclosure nightmare.

Refinancing ‐ Balloon Payment Scams

You may come across a lender who will promise to save you from financial ruin by getting you a refinance loan with lower monthly payments than you are currently making. What the lender doesn't make clear is that the new loan will require a balloon payment, where the balance of the loan is due in one huge payment after a few years. When you are unable to make this payment, the lender will foreclose on your home and sell it for profit.

Of course, there are plenty of other foreclosure scams and it would be difficult to name them all. Your best protection against being taken advantage of during this stressful time, is to do



your homework and to be mistrustful of anyone offering a quick fix or miracle solution!