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How to Avoid 'Foreclosure Rescue Scams'

Scam artists are using the housing crisis to take advantage of already distressed property owners

By *Luke Mullins*

Posted August 7, 2008

While the [national housing crisis](#) has put hundreds of thousands of Americans in danger of [losing their homes](#), it has also created a fresh opportunity for scam artists. The so-called foreclosure rescue scams target homeowners facing the possibility of losing their property to [foreclosure proceedings](#). And with foreclosures on the rise, such scams are becoming increasingly common, says Patrick McGilvray, president of [TheHomeBuyingCenter.com](#), which links troubled homeowners with potential buyers. In a recent interview with *U.S. News*, McGilvray outlined how some of these scams work and explained what consumers can do to protect themselves from being victimized. Excerpts:

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What are some examples of 'foreclosure rescue scams'?

In one scenario, distressed homeowners pay between \$1,000 and \$10,000 for a company to help them 'negotiate' with their lender to work out a payment, but then nothing happens. In some cases, the property will be signed over to the scammers through persuasion or confusion. A simple refinance or new mortgage application can in fact be documents that actually sign over your home and whatever equity you may have had in it.

Why have foreclosure rescue scams become more common lately?

They have become more common lately because of the record numbers of foreclosures across the nation.

How do victims first come in contact with these scammers?

Many of these people will seek out help from something they see on TV or on one of the ubiquitous plastic signs on a fence or telephone pole that say something like "Avoid Foreclosure," or "Stop Foreclosure," or even "We Buy Houses." All of these things can have legitimate businesses behind them, but the consumer has little way of checking them out in advance as they typically only have a phone number as a means of contact. Some of the services advertised pose as "credit counselors" or "mortgage consultants" or "real estate investors" or some other title. The key is that they say that they will help people avoid losing a home to foreclosure.

What makes people vulnerable to falling victim to a foreclosure rescue scam?

Ignorance and credulity. Many times people are suckered into these scams by someone they know in a church or other social network where trust is established. Homeowners are often quite depressed and emotional when they are faced with the prospect of losing their homes to foreclosure because they believed that being a homeowner was one of the most important things they have ever done. This desire also to maintain a social facade of success and respectability—and people will do almost anything to protect their "identity"—can lead them to make foolish decisions that they might not otherwise make.

What are some red flags that consumers should be on the lookout for?

First of all, scammers rely on ignorance and isolation of the victim. They want to keep the person from consulting with family members or trusted advisers like lawyers, accountants, and financial advisers. If someone urges a homeowner facing foreclosure to not talk to anybody else, this is a huge red flag. Second, anybody who asks for money upfront to help deal with the situation is probably up to no good. Third, anybody who asks you to sign documents without giving you ample opportunity to read them thoroughly or have them reviewed by a sophisticated adviser or friend should be viewed with extreme suspicion. If something "just has to be done immediately," it should be walked away from.

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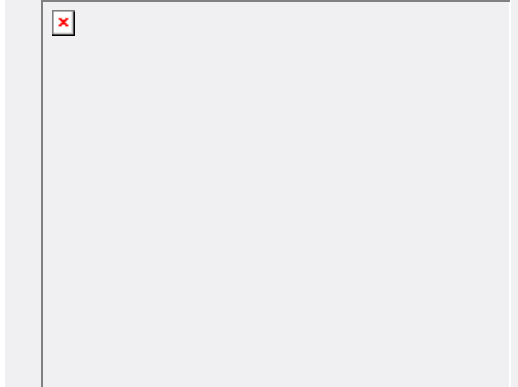


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Do you have any advice to help consumers avoid falling victim to such scams?

Keep your common sense hat on. If something sounds too good to be true, it probably is. P.T. Barnum said "There's a sucker born every minute," and that's very sad, but it also contains a grain of truth. They can also talk to family, friends, and trusted advisers if they're facing a problem. It's sad, but many people will prefer to tell a stranger about their most intimate problems that they would never share with somebody they know because of the shame that they may feel. Just like the first step in a 12-step program is admitting that there is a problem, people facing foreclosure should talk with their family and friends and let them know of the bad situation that they are in. This can stop the isolation that creates the depression that scammers feed on.

How can a consumer ensure that a foreclosure rescue program is legitimate and not a scam?

Probably the best option is to check with a [HUD](#) counselor. Another might be to check with [NeighborWorks America](#)—a nonprofit organization that Congress created—and speak to one of their counselors. Both of these entities should be able to put a homeowner into contact with somebody who could render an opinion about a potential "foreclosure rescue."

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To people facing foreclosure

I would like to help you out, but I don't know how to do this, I guess you lend the money and have to pay it back. But I would't like to see anyone loose their home. Why can't movie stars put up funds for pre-foreclosures, instead of getting millions for their babies pictures being taken.. Believe me I feel for these people and their families..Also lower the prices on things. that are outrages. I have a Dad in the Hospital, he's34 miles away. It cost me in gas in one day to go and see him 28.00 a day. If your home is going into foreclosure, our family will help.I know we can help some of you people P.S. I'm not knocking the movie stars, I know the money goes to charity. But just this once can we help people so there not homeless.

Danielle Tarulli of NY

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