

KEEPING TENNESSEE SENIORS SAFE

***WHAT YOU NEED
TO KNOW ABOUT
MORTGAGE-RELATED
SCAMS***



State of Tennessee
Office of the Attorney General & Reporter



Department of
**Commerce &
Insurance**

Consumer Affairs

Contact (800) 342-8385
www.tn.gov/commerce/section/consumer-affairs



Are you an older adult who owns their home? Has your property value dropped? Is it getting harder to pay your mortgage? What if someone offers to rescue you, or to buy your house? Be careful. It may be a scam. Scammers might want to trick you out of your house or your savings. Here are some things seniors and their caregivers should know about common scams, how to stop them, and how to get help and report them.



WHAT IS A FORECLOSURE RESCUE SCAM?

What if you fall behind on your mortgage? You might be close to foreclosure—when they take your house from you because you could not pay what was due. Then a company calls. They say

they can lower your monthly payment and save your house. But you must pay them a large fee first. Once you pay the money and sign the papers, however, the company disappears. Now you are even more behind on your payments. This scenario happens all too often to people who are struggling to pay their mortgages. Here are some scams to watch out for:

- **Phantom Mortgage “Help” / the Foreclosure Prevention “Specialist”:** Scammers advertise in papers or online, call, or come to your home. They promise to lower your monthly payment. They may say they have a special deal with your mortgage company. They say it’s okay to pay them a large fee up front. But once they have your money they do nothing to help you. Then, because you paid the scammer and not the mortgage company, you lose your house. And now the scammer has your money and all of your personal information.
- **False Bailout or “Lease/Buyback” Scheme:** Scammers ask you to sign your deed and give it to them. They promise you can stay in your house as a renter. They even say you can buy it back from them. But usually the contract you sign makes it very hard to do that. Then the scammer takes all of the value of your house, stops paying the mortgage, and you get evicted.
- **Bait-and-switch:** You think you are signing papers that will refinance your house and pay what you owe. But really you are signing the deed and giving it to the scammer. The scammers then take out loans against the value of your house. They don’t pay the mortgage, and then you get evicted.

HOW TO AVOID FORECLOSURE RESCUE SCAMS

- **Be Wary of “Mortgage Consultants” or “Foreclosure Consultants”:** What if someone is very pushy? What if they want you to pay them right away, or pay them in cash, or only by wire transfer? What if they tell you to not call your mortgage lender? Be careful. They could be a scammer. Here are some things to look for:
 - ❖ **Warning Signs:** Scammers promise to find “mistakes” in your loan documents. They say these mistakes mean your lender must cancel or change your loan, or stop a foreclosure.
- **Never Pay Fees Up Front to Someone Promising to Help You with a Mortgage:** The Mortgage Assistance Relief Services (MARS) Rule and Tennessee law don’t allow a company to take your money before you have received an offer of relief from your lender and have accepted it.
- **Never Transfer the Title or Deed to Your Property to Such an Individual or Company:** If you don’t understand a document you are asked to sign, ask someone you trust to review it.
- **Require a Written Agreement:** Tennessee law doesn’t allow the offering of foreclosure rescue services without a written agreement. And any written agreement must include a notice of your right to cancel the contract. You may cancel any contract with a foreclosure rescue service within 3 days of signing. If you cancel, the company must refund your money within 10 days. Any contract that does not have or honor this notice is considered cancelled.

- **If You Are Behind on Your Mortgage:**

- ❖ **Contact your mortgage servicer immediately.** Don't be embarrassed—it's important to tell them about your situation so you can begin to work it out. Options may include: loan modification, repayment plan, a temporary reduction or suspension of payments, or a deed in lieu of foreclosure.

- ❖ **If the first step is not productive, contact a Tennessee Housing Development Agency (THDA) Foreclosure Prevention Counselor.** For a list of counselors, go to: www.thda.org/homeowners/foreclosure-prevention (scroll to bottom of page for link to list). Or call (855) 890-8073.

- ❖ **If you suspect that you have been a victim of a foreclosure rescue scam:** Contact the Federal Trade Commission at (877) FTC-HELP and the Tennessee Attorney General's Office at (615) 741-1671.

WHAT ABOUT REVERSE MORTGAGES?

A reverse mortgage allows you to convert your home's equity into cash. It's a loan. You get money and get to keep the title on your house. But when you die, sell your home, or move, your estate or your family has to repay the loan. So your family may have to sell the house to pay the loan. Reverse mortgages aren't always a scam, but they're not right for everyone. And they can be used as a scam. Read and understand what a reverse mortgage is. Don't let someone talk you into it if you're not sure it's for you. For more information, go to the Federal Trade

Commission's website, *Reverse Mortgages*, www.consumer.ftc.gov/articles/0192-reverse-mortgages.



THINGS TO KNOW IF YOU ARE THINKING ABOUT A REVERSE MORTGAGE

- Mortgage companies make more money on reverse mortgages, so they want to sell you one.
- You still have to pay property taxes and maintain insurance on the property.
- If you don't know whether a reverse mortgage is right for you, contact a U.S. Housing and Urban Development (HUD) counselor at (800) 569-4287. If you have general questions about reverse mortgages, see the National Council on Aging's advice at www.ncoa.org/economic-security/home-equity/reverse-mortgages/reverse-mortgage-counseling/.

WHAT IF YOU NEED TO ASSUME A MORTGAGE?

If your spouse dies and his or her name is on your mortgage, you need to take action right away to “assume”—or take over—the mortgage. You still have to pay the mortgage even if your spouse has died. If you don’t, you could lose your house. Call the lender right away and tell them what has happened. They may ask you to send them documents like a death certificate or other documents. Also find out if you are on the deed and the mortgage (often called a “Deed of Trust” in Tennessee). There are other things you may have to do, and you may have certain rights. Talk with a probate attorney to help you work through the mortgage assumption. It can be a very confusing process.

For help, contact the Tennessee Housing and Development Agency (THDA). They have free foreclosure prevention counselors. And they can help you with a mortgage assumption. Call (855) 890-8073, or visit online www.thda.org and go to the bottom of the page on Foreclosure Prevention for a list of counselors in your area.





RESOURCES

- Visit the **Federal Trade Commission's** website at www.ftc.gov to learn about mortgage scams and foreclosure relief:

Mortgage Relief Scams, www.consumer.ftc.gov/articles/0100-mortgage-relief-scams

When Paying the Mortgage Is a Struggle, www.consumer.ftc.gov/articles/0187-when-paying-mortgage-struggle.

Signs of a Foreclosure Rescue Scam: <https://www.consumer.ftc.gov/articles/0193-facing-foreclosure>

- Visit the **U.S. Department of Housing and Urban Development (HUD)** website at www.hud.gov to learn ways to avoid foreclosure or call HUD's National Service Center at (877) 622-8525.

- For information about mortgage origination, or to file a complaint about mortgage origination, see the **Consumer Financial Protection Bureau's** website on *Owning a Home*, www.consumerfinance.gov/owning-a-home.



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