



TEXAS ATTORNEY GENERAL WARNS HOMEOWNERS OF "EQUITY STRIPPING" SCAMS

by Texas Attorney General Greg Abbott

HOME OWNERSHIP LIES AT THE HEART of the American dream. Unfortunately, a sudden job loss, family illness or other financial hardship can threaten that dream. Faced with rising mortgage payments or foreclosure, distressed homeowners may be tempted by financial predators who promise to "save" their homes.

Missing just one mortgage payment can bring a homeowner to the brink of foreclosure. Late fees and penalties accumulate. Mortgage payments rise. Credit ratings suffer, and debt spins out-of-control.

Equity-stripping scam artists prey on struggling homeowners. When properties with late tax payments appear on a public list at the county clerk's office, these unscrupulous schemers monitor them closely, contacting homeowners by phone, mail or with door-to-door solicitations. They know that a homeowner who misses a tax payment may have fallen behind on mortgage payments as well. Another scheme tempts homeowners with advertisements offering "mortgage rescue" scams.

Equity-stripping scams take various forms and often include promises

of upfront cash, repaired credit and assurances that homeowners will be able to keep their homes in the long run. In some cases, a "foreclosure specialist" may claim to arrange for an outside buyer to "temporarily" purchase a home. In return, the owner receives a percentage of the profit in cash while the temporary buyer makes the mortgage payments. Good credit will be restored, the owner will qualify for refinancing and the home will be saved!

Unfortunately, this is rarely the result. Homeowners may receive the upfront cash, but the assurances that debts, including outstanding mortgage payments or tax liens, have been paid are false. In reality, the scam artists have refinanced the house, taken the equity in cash and stopped making mortgage payments, forcing the home back into foreclosure.

In another twist, "foreclosure experts" may promise that homeowners who sign over their property deeds and continue making monthly payments can continue living in their homes. The scammer typically promises to invest the equity and earn enough from those investments to pay off the mortgage.

Within a short timeframe, the "specialists" promise, the homeowners will get back their properties, free of any mortgages. Once again, the homeowners usually end up in foreclosure after the company borrows large amounts against the home and strips it of its equity.

In most cases where homeowners lose their homes, the problems began with a single missed mortgage payment. Homeowners facing financial difficulties that could result in mortgage default or foreclosure should consider contacting a credit counseling agency or the U.S. Department of Housing and Urban Development (HUD).

Homeowners should never deliberately withhold a mortgage payment. If you are involved in a dispute with a mortgage company or a "mortgage-saving" company, file a complaint with the Office of the Attorney General, the Federal Trade Commission and HUD. Do not default on your loan.

Cash offers to "save" a home may be tempting, but remember that there are few quick fixes to financial hardships. With proper debt management and patience, you can save yourself and your home from financial predators.

POINTS TO REMEMBER



EQUITY STRIPPING SCAMS

Be diligent in paying bills and debts today to ensure good credit in the future. For assistance with credit problems, education and counseling:

NATIONAL FOUNDATION FOR CREDIT COUNSELING

(800) 388-2227

www.nfcc.org

For assistance with credit problems that could result in mortgage default or foreclosures:

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

(800) 225-5342

www.hud.gov

For a free copy of your credit report:

ANNUAL CREDIT REPORT REQUEST SERVICE

P.O. Box 105281

Atlanta, GA 30348-5281

(877) 322-8228

www.annualcreditreport.com

File a complaint with the

OFFICE OF THE ATTORNEY GENERAL

By phone: (800) 252-8011

Online: www.oag.state.tx.us



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