

# Beware Foreclosure Rescue Scams...



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## Beware of Foreclosure Rescue Scams

In the past few years, many New York City homeowners—including a large number of senior citizens and people of color—have lost their homes to foreclosure rescue scams, also known as deed thefts.

These scams are difficult to undo once they happen, so it is important that you understand the warning signs and **avoid the schemes before you get victimized**. Although promises of foreclosure rescue may seem tantalizing to homeowners who are having trouble making payments, **these scams never work!**

## What Is a Foreclosure Rescue Scam?

Generally, a foreclosure rescue scheme is any fraud that takes advantage of homeowners who have fallen behind on their monthly mortgage payments. Because there is nothing more upsetting to a homeowner than the prospect of losing her home, most of the potential victims are desperate for someone who can help them.

In many neighborhoods in New York City, you may have seen advertisements posted that promise homeowners help with foreclosure, with slogans like “Save your home now,” “Having problems paying your mortgage? Let us help you!” or “Stop foreclosure now!” In addition, because foreclosure proceedings are a matter of public record, unscrupulous foreclosure rescue “specialists” are able to locate and contact potential victims very easily and

repeatedly—by mail, telephone, and through door-to-door solicitation.

But the reality is that **these con artists are trying to steal homes, not rescue homeowners**. Homeowners who respond to these solicitations and become victims of foreclosure rescue scams almost always **lose their homes**.

## Identifying Foreclosure Rescue Scams

Foreclosure rescue scams take many forms in New York City. Here are three variations:

### *Lease/Buyback*

The most common foreclosure rescue scheme is the lease/buyback. In this scheme, the foreclosure rescue scammer promises a homeowner that he will save the home from foreclosure, repair the homeowner’s credit, and possibly pay off credit cards and other debts. In order to do this, he says, the homeowner must temporarily sign her deed over to someone with better credit. The homeowner is allowed to stay in the home, and pays a “lease” payment to the scammer. The scammer then promises that the homeowner will be able to buy back the home after a certain amount of time has passed.

There’s just one problem: **This scam doesn’t work**. Once you have signed away the deed to your property, **the new owner has the right to evict you, no questions asked**. Furthermore, the scammer is under no obligation to sell the house back to you. Typically, after the deed is signed away, the

property changes hands numerous times. The scammer may have taken a new mortgage out on your home for hundreds of thousands of dollars more than your mortgage, making it impossible for you to buy back your home.

The bottom line is this: **Your deed is one of your most valuable assets. Never sign it away based on someone else’s promises.**

### *Bait and Switch*

In this variation, the scammer presents the homeowner with supposed “foreclosure rescue” loan documents to sign. The homeowner is told that the documents are for a refinance loan that will bring the mortgage current. What the homeowner doesn’t realize is that she is surrendering ownership of her home. The “loan” documents are actually deed transfer documents, and the scammer counts on the homeowner not actually reading the paperwork.

Once the deed transfer is executed, the homeowner believes that she has been rescued from foreclosure for months or even years until she receives an eviction notice and discovers that she no longer owns her own home. At that point, it is often too late to do anything about the deed transfer. **Always ask to see refinance documents before a real estate closing and read them carefully!** One signature could give up your home and the hundreds of thousands of dollars in equity that you have earned.

### *Phantom Help*

This type of scam involves a foreclosure

rescue “specialist” presenting himself as someone who is able to counsel or help a homeowner out of foreclosure. In exchange for his “services,” he charges outrageous fees and makes grand promises that he is unable to fulfill. His “services” entail light-duty paperwork or occasional phone calls that the homeowner could easily have made herself. In the end, he leaves the homeowner worse than she was before, because he has taken not only her money but also her valuable time, during which the bank’s foreclosure action has continued to advance.

### **If Foreclosure Rescue Schemes Don’t Work, What Does?**

Unfortunately, there are no easy solutions to foreclosure. There are ways that you can get help, but it is vital to get reliable, honest, reputable help. One potential way out of foreclosure is to work with a foreclosure prevention counselor at a non-profit or community organization. This person may be able arrange a payment plan with your bank that will bring the mortgage current and get you out of foreclosure.

Another possibility for homeowners in danger of foreclosure is to sell the property on the market, pay off the mortgage, and take the equity that is left to make other housing arrangements. Many homeowners are sitting on **hundreds of thousands of dollars in equity**, which is the value built up in the

home over time because of rising real estate prices. Homeowners can use this equity to make other housing arrangements after selling their property. But a foreclosure rescue scheme will deprive you of this option and steal both the property and your hard-earned equity.

The contacts listed later in this brochure are some examples of organizations that can get you started on the right path. But please remember: **Anything that sounds too good to be true is most likely a scam that will leave you worse off than you were before.**

### **Common Signs of Deed Theft Scams**

- You are behind on your mortgage and receive numerous high-pressure solicitations.
- A person claiming to be a foreclosure rescue specialist promises to save your home from foreclosure.
- You are asked to sign over your property to a third party in order to repair your credit.
- You are steered away from seeking independent advice during negotiations about your home.

### **How to Protect Yourself**

- If you are behind in your mortgage payments, seek professional, reputable help.
- **Never** sign any documents related

to your home without consulting an independent entity you trust, like a legal services attorney or a non-profit community group. See below for contact information.

- **Never** agree to sign over your deed or add a co-signer.
- **Never** deal with someone who solicits you while you are in foreclosure, whether it be by mail, telephone, or in person.
- **Always** read all documents related to a refinance before the closing. If the company is not forthcoming with documents, **don’t make the deal!**

### **Foreclosure Prevention Counseling and Legal Advice**

The organizations listed here can provide advice to you if you have any questions regarding foreclosure rescue scams, deed thefts, or other issues relating to foreclosure prevention and predatory lending.

Foreclosure Prevention Hotline,  
South Brooklyn Legal Services  
*(for all NYC residents)*  
**(718) 246-3279**

Legal/Social Work Elder Assistance Program  
**(718) 273-5215**

Legal Services for the Elderly in Queens  
**(718) 286-1500**

Queens Legal Aid **(718) 286-2400**

Queens Legal Services Corp.  
**(718) 657-8611**

Margert Community Corp.  
**(718) 471-3724**

St. John’s University Elder Law Clinic  
**(718) 990-6689**

Cypress Hills Local Development Corporation **(718) 647-8100**

Pratt Area Community Council  
*(for central Brooklyn residents)*  
**(718) 522-2613**