



NEIL ABERCROMBIE  
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LT. GOVERNOR

STATE OF HAWAII  
OFFICE OF CONSUMER PROTECTION  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
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OFFICE OF CONSUMER PROTECTION

HERBERT M. ROKUTA  
AQUILINO R. IDAO  
SUPERVISING INVESTIGATORS

**Re: Help with mortgage delinquency and foreclosure**

Enclosed is information obtained from the federal Department of Housing and Urban Development ("HUD"), the federal Making Home Affordable program ("MHA"), the Federal Trade Commission ("FTC"), the Office of the Comptroller of the Currency ("OCC") and the Hawaii Attorney General ("AG") regarding:

1. Mortgage foreclosure counseling;
2. The federal Making Home Affordable program to avoid foreclosure;
3. Mortgage foreclosure rescue scams;
4. The joint multi-state federal mortgage servicing settlement with lenders Ally/GMAC, Bank of America, Citigroup, J.P. Morgan Chase and Wells Fargo; and
5. Independent foreclosure review by the OCC (due by December 31, 2012).

The information regarding mortgage foreclosure counseling includes a list of HUD-approved agencies who may be able to help you. We urge you to contact a local HUD counselor in light of the multi-state settlement and Hawaii's receipt of \$71 million for relief to homeowners.

The information includes an article in the Star Advertiser on August 30, 2012 which details plans for specific relief to Hawaii homeowners.

Please note that you may have private remedies available to you. You may want to consult with your own private attorney who can advise you as what actions you may want to take regarding your situation. Please also note that there may be deadlines that affect your ability to obtain any remedies you may seek.

This listing is current as of **08/29/2012**.

## Agencies located in HAWAII

**Agency Name:** LEGAL AID SOCIETY OF HAWAII

**Phone:** 800-499-4302

**Toll Free:** 800-499-4302

**Fax:** 808-969-3983

**Email:**

**Address:** 305 Wailuku Dr

HILO, Hawaii 96720-2488

**Counseling Services:**

- Fair Housing Pre-Purchase Education Workshops
- Financial Management/Budget Counseling
- Home Improvement and Rehabilitation Counseling
- Mortgage Delinquency and Default Resolution Counseling
- Non-Delinquency Post Purchase Workshops
- Pre-purchase Counseling
- Pre-purchase Homebuyer Education Workshops
- Predatory Lending Education Workshops
- Rental Housing Counseling
- Services for Homeless Counseling

**Languages:** - English

**Affiliation:** LEGAL AID SOCIETY OF HAWAII

**Website:** n/a

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**Agency Name:** CATHOLIC CHARITIES HAWAII

**Phone:** 808-527-4673

**Toll Free:**

**Fax:** 808-527-4709

**Email:** info@catholiccharitieshawaii.org

**Address:** 1822 Ke'eaumoku St.

HONOLULU, Hawaii 96822-3001

**Counseling Services:**

- Rental Housing Counseling
- Services for Homeless Counseling

**Languages:** - English

**Affiliation:**

**Website:** <http://www.catholiccharitieshawaii.org>

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**Agency Name:** COUNCIL FOR NATIVE HAWAIIAN ADVANCEMENT

**Phone:** 808-596-8155

**Toll Free:** 800-709-2642

**Fax:** 808-596-8156

**Email:** info@hawaiiancouncil.org

**Address:** 1050 Queen Street

Suite 200

HONOLULU, Hawaii 96814-4130

**Counseling Services:**

- Financial Management/Budget Counseling
- Home Improvement and Rehabilitation Counseling

**Languages:** - English

- Other

**Affiliation:** NATIONAL CAPACD

**Website:** [www.hawaiiancouncil.org](http://www.hawaiiancouncil.org)

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**Agency Name:** HAWAII HOMEOWNERSHIP CENTER

**Phone:** 808-523-9500

**Toll Free:** 877-523-9503

**Fax:** 808-523-9502

**Email:** info@hihomeownership.org

**Address:** 1259 Aala Street Suite 201

HONOLULU, Hawaii 96817-3962

**Counseling Services:**

- Financial Management/Budget Counseling
- Home Improvement and Rehabilitation Counseling
- Mortgage Delinquency and Default Resolution Counseling
- Non-Delinquency Post Purchase Workshops
- Pre-purchase Counseling
- Pre-purchase Homebuyer Education Workshops

**Languages:** - English

**Affiliation:** NEIGHBORHOOD REINVESTMENT CORPORATION

**Website:** <http://www.hihomeownership.org>

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**Agency Name:** HAWAIIAN COMMUNITY ASSETS, INC

**Phone:** 808-587-7886

**Toll Free:** 866-400-1116  
**Fax:** 808-587-7899  
**Email:** info@hawaiiancommunity.net  
**Address:** 1050 Queen St. Suite 201  
 HONOLULU, Hawaii 96814-4130

**Counseling Services:** - Financial Management/Budget Counseling  
 - Mortgage Delinquency and Default Resolution Counseling  
 - Pre-purchase Counseling  
 - Pre-purchase Homebuyer Education Workshops

**Languages:** - English  
 - Other

**Affiliation:** RURAL COMMUNITY ASSISTANCE CORPORATION  
**Website:** <http://www.hawaiiancommunity.net/>

**Agency Name:** IHS, THE INSTITUTE FOR HUMAN SERVICES, INC.  
**Phone:** 808-447-2900

**Toll Free:**  
**Fax:** 808-537-2697  
**Email:** MindaG@ihs-hawaii.org  
**Address:** 350 Sumner Street  
 HONOLULU, Hawaii 96817-5088

**Counseling Services:** - Fair Housing Pre-Purchase Education Workshops  
 - Rental Housing Counseling  
 - Services for Homeless Counseling

**Languages:** - English

**Affiliation:** INSTITUTE FOR HUMAN SERVICES, INC. (IHS)  
**Website:** [www.ihs-hawaii.org](http://www.ihs-hawaii.org)

**Agency Name:** INSTITUTE FOR HUMAN SERVICES, INC. (IHS)  
**Phone:** 808-447-2900

**Toll Free:**  
**Fax:** 808-537-2697  
**Email:** MindaG@ihs-hawaii.org  
**Address:** 546 Ka'aahi Street  
 HONOLULU, Hawaii 96817-4630

**Counseling Services:** - Fair Housing Pre-Purchase Education Workshops  
 - Rental Housing Counseling  
 - Services for Homeless Counseling

**Languages:** - English

**Affiliation:**  
**Website:** <http://www.ihs-hawaii.org>

**Agency Name:** LEGAL AID SOCIETY OF HAWAII

**Phone:** 808-536-4302  
**Toll Free:** 800-499-4302  
**Fax:** 808-527-8088  
**Email:**

**Address:** 924 Bethel Street  
 HONOLULU, Hawaii 96813-4304

**Counseling Services:** - Mortgage Delinquency and Default Resolution Counseling  
 - Pre-purchase Counseling  
 - Rental Housing Counseling

**Languages:** - English

**Affiliation:**  
**Website:** <http://www.legalaidhawaii.org/>

**Agency Name:** SELF-HELP HOUSING CORPORATION OF HAWAII

**Phone:** 808-842-7111  
**Toll Free:**  
**Fax:** 808-842-7896  
**Email:** selfhelphawaii@gmail.com  
**Address:** 1427 Dillingham Blvd Suite 305  
 Suite 305  
 HONOLULU, Hawaii 96817-4875

**Counseling Services:** - Financial Management/Budget Counseling  
 - Mortgage Delinquency and Default Resolution Counseling  
 - Non-Delinquency Post Purchase Workshops  
 - Pre-purchase Counseling  
 - Pre-purchase Homebuyer Education Workshops  
 - Rental Housing Counseling

**Languages:** - English  
 - Other

**Affiliation:** MON VALLEY INITIATIVE  
**Website:** <http://n/a>

**Agency Name:** HALE MAHAOLU HOMEOWNERSHIP/HOUSING COUNSELING  
**Phone:** 808-242-4377  
**Toll Free:**  
**Fax:** 808-242-4850  
**Email:** mtanji@halemahaolu.org  
**Address:** 200 Hina Avenue  
 KAHULUI, Hawaii 96732-1821

**Counseling Services:** - Fair Housing Pre-Purchase Education Workshops  
 - Financial Management/Budget Counseling  
 - Mortgage Delinquency and Default Resolution Counseling  
 - Non-Delinquency Post Purchase Workshops  
 - Pre-purchase Counseling  
 - Pre-purchase Homebuyer Education Workshops  
 - Predatory Lending Education Workshops  
 - Rental Housing Counseling

**Languages:** - English

**Affiliation:**

**Website:** <http://www.halemahaolu.org>

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**Agency Name:** LEGAL AID SOCIETY OF HAWAII  
**Phone:** 800-499-4302  
**Toll Free:** 800-499-4302  
**Fax:** 808-239-3968  
**Email:**  
**Address:** 47-200 Waihee Rd Ste 104  
 KANELOHE, Hawaii 96744-4947

**Counseling Services:** - Fair Housing Pre-Purchase Education Workshops  
 - Financial Management/Budget Counseling  
 - Home Improvement and Rehabilitation Counseling  
 - Mortgage Delinquency and Default Resolution Counseling  
 - Non-Delinquency Post Purchase Workshops  
 - Pre-purchase Counseling  
 - Pre-purchase Homebuyer Education Workshops  
 - Predatory Lending Education Workshops  
 - Rental Housing Counseling  
 - Services for Homeless Counseling

**Languages:** - English

**Affiliation:** LEGAL AID SOCIETY OF HAWAII

**Website:** n/a

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**Agency Name:** LEGAL AID SOCIETY OF HAWAII  
**Phone:** 800-499-4302  
**Toll Free:** 800-499-4302  
**Fax:** 808-553-5809  
**Email:**  
**Address:** 1923 Ala Malama St  
 Kaunakakai, Hawaii 96748

**Counseling Services:** - Fair Housing Pre-Purchase Education Workshops  
 - Financial Management/Budget Counseling  
 - Home Improvement and Rehabilitation Counseling  
 - Mortgage Delinquency and Default Resolution Counseling  
 - Non-Delinquency Post Purchase Workshops  
 - Pre-purchase Counseling  
 - Pre-purchase Homebuyer Education Workshops  
 - Predatory Lending Education Workshops  
 - Rental Housing Counseling  
 - Services for Homeless Counseling

**Languages:** - English

**Affiliation:** LEGAL AID SOCIETY OF HAWAII

**Website:** n/a

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**Agency Name:** LEGAL AID SOCIETY OF HAWAII  
**Phone:** 800-499-4302  
**Toll Free:** 800-499-4302  
**Fax:** 808-246-8824  
**Email:**  
**Address:** 4334 Rice St Suite 204A  
 LIHUE, Hawaii 96766-1801

**Counseling Services:** - Fair Housing Pre-Purchase Education Workshops  
 - Financial Management/Budget Counseling  
 - Home Improvement and Rehabilitation Counseling  
 - Mortgage Delinquency and Default Resolution Counseling  
 - Non-Delinquency Post Purchase Workshops  
 - Pre-purchase Counseling

- Pre-purchase Homebuyer Education Workshops
- Predatory Lending Education Workshops
- Rental Housing Counseling
- Services for Homeless Counseling

**Languages:** - English  
**Affiliation:** LEGAL AID SOCIETY OF HAWAII  
**Website:** n/a

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**Agency Name:** LEGAL AID SOCIETY OF HAWAII

**Phone:** 800-499-4302

**Toll Free:** 800-499-4302

**Fax:** 808-696-5809

**Email:**

**Address:** 85-670 Farrington Hwy Ste A  
 WAIANA, Hawaii 96792-2407

- Counseling Services:**
- Fair Housing Pre-Purchase Education Workshops
  - Financial Management/Budget Counseling
  - Home Improvement and Rehabilitation Counseling
  - Mortgage Delinquency and Default Resolution Counseling
  - Non-Delinquency Post Purchase Workshops
  - Pre-purchase Counseling
  - Pre-purchase Homebuyer Education Workshops
  - Predatory Lending Education Workshops
  - Rental Housing Counseling
  - Services for Homeless Counseling

**Languages:** - English  
**Affiliation:** LEGAL AID SOCIETY OF HAWAII  
**Website:** n/a

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**Agency Name:** LEGAL AID SOCIETY OF HAWAII

**Phone:** 800-499-4302

**Toll Free:** 800-499-4302

**Fax:** 808-244-5856

**Email:**

**Address:** 2287 Main St  
 WAILUKU, Hawaii 96793-1655

- Counseling Services:**
- Fair Housing Pre-Purchase Education Workshops
  - Home Improvement and Rehabilitation Counseling
  - Mortgage Delinquency and Default Resolution Counseling
  - Non-Delinquency Post Purchase Workshops
  - Pre-purchase Counseling
  - Pre-purchase Homebuyer Education Workshops
  - Predatory Lending Education Workshops
  - Rental Housing Counseling
  - Services for Homeless Counseling

**Languages:** - English  
**Affiliation:** LEGAL AID SOCIETY OF HAWAII  
**Website:** n/a

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**INDEPENDENT FORECLOSURE REVIEW**

**In foreclosure in 2009 or 2010?  
You may be eligible for compensation or other remedy.**

If your primary residence was involved in a foreclosure process between January 1, 2009 and December 31, 2010, you may qualify for a free Independent Foreclosure Review.

The Independent Foreclosure Review will determine whether individual homeowners suffered financial injury and should receive compensation or other remedy because of errors or other problems during their home foreclosure process.

If you believe you are eligible to participate in the program, you may complete and submit a Request for Review Form. It is important that you complete the form to the best of your ability; all information you provide can be useful. You must have been a customer of one of the mortgage servicers listed below. Not sure who your servicer is?

All Requests for Review Forms must be submitted online or postmarked no later than **December 31, 2012**.

**ENGLISH**

**ESPAÑOL**

- Watch Video Now
- Frequently Asked Questions
- Guide to Complete the Form
- Tips to Complete the Form
- Find Out More About Possible Compensation & Other Remedies



Check your eligibility and submit a Request for Review Form online. Get started now!

America's Servicing Co.	Countrywide	National City Mortgage
Aurora Loan Services	EMC	PNC Mortgage
BAC Home Loans Servicing	EverBank/EverHome Mortgage Company	Sovereign Bank
Bank of America	Financial Freedom	SunTrust Mortgage
Beneficial	GMAC Mortgage	U.S. Bank
Chase	HFC	Wachovia
Citibank	HSBC	Washington Mutual
CitiFinancial	IndyMac Mortgage Services	Wells Fargo
CitiMortgage	MetLife Bank	Wishire Credit Corporation

For help completing the form or to have questions answered, call 1-888-952-9105.  
Monday through Friday, 8 am - 10 pm ET or Saturday, 8 am - 5 pm ET

The Independent Foreclosure Review is monitored by federal bank regulators, the Office of the Comptroller of the Currency and the Board of Governors of the Federal Reserve System, to ensure a fair and impartial process.

Llame al 1-888-952-9105 para hablar con un representante que le podrá brindar gratuitamente traducciones de la información que le envió la Revisión Independiente de la Ejecución Hipotecaria y responder a sus preguntas acerca de la Revisión Independiente de la Ejecución Hipotecaria o completar el Formulario de Solicitud de Revisión.

Si usted habla español, tenemos representantes que pueden asistirle en su idioma para darle información sobre la Revisión Independiente de Ejecución Hipotecaria.

Assistance is also available in over 200 languages, including: Chinese, Korean, Vietnamese, Tagalog, Hmong and Russian.  
提供中文幫助。      Trợ giúp hiện có bằng tiếng Việt.      Peh muaj cov neeg hais lus Hmoob pab nej.  
한국어 도움을 제공합니다.      Available ang tulong sa wikang Tagalog.      Помощь на русском языке.

**THE INDEPENDENT FORECLOSURE REVIEW IS FREE.**  
Watch out for scams—there is only one Independent Foreclosure Review.  
Beware of anyone who asks you to pay a fee for any foreclosure review service.

For additional information, visit the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Prevent Loan Scams, or the Loan Scam Alert websites.

Her mother, Kathy, shopped with her.

FOR THE INDUSTRY >> B5

TOTAL SPENDING

SPENDING PER PERSON PER DAY

TOTAL ARRIVALS

THURSDAY 8/30/12

# Star Advertiser

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THE PULSE of PARADISE

## MORTGAGE RELIEF

# Leading wave of settlement money buoys homeowners

*Hawaii gets a \$71 million share from the \$25 billion deal with five major lenders*

By Andrew Gomes  
agomes@staradvertiser.com

Relief has begun to arrive for many Hawaii homeowners threatened by foreclosure under a settlement between the five largest U.S. mortgage lenders and the state and federal government.

Some \$40 million in mortgage debt obligations were alleviated for 362 Hawaii homeowners between March and June, according to an initial progress report released Wednesday by the federal Office of Mortgage Settlement Oversight.

The reported relief represents just a leading, and relatively small, edge of what should be a large wave of financial help for homeowners statewide struggling with mortgage payments.

Five lenders — Bank of America, J.P. Morgan Chase & Co., Wells Fargo & Co., Citigroup Inc. and GMAC Mortgage parent Ally Financial Inc. — agreed to a historic \$25 billion national relief package in February to settle foreclosure abuse allegations brought by the federal government and 49 state attorneys general.

The relief may be delivered over three years, though financial incentives encourage lenders to act quickly.

Hawaii's share of the settlement totaled \$71 million, but that figure is misleading in an understated way because of how the value of relief is calculated and reported.

### \$40M

Total mortgage debt lifted for Hawaii homeowners from March 1 to June 30

### 362

Number of borrowers receiving relief

### \$110,479

Average amount of relief per borrower

#### CONTACTS

>> Office of Mortgage Settlement Oversight: [mortgage-oversight.com](http://mortgage-oversight.com)

>> Attorney General: [hawaii.gov/ag](http://hawaii.gov/ag) or 586-1500

>> Settlement info: [nationalmortgage-settlement.com](http://nationalmortgage-settlement.com)

#### LENDERS

>> Ally/GMAC: 800-766-4622

>> Bank of America: 877-488-7814

>> Citigroup: 866-272-1749

>> J.P. Morgan Chase: 866-372-6901

>> Wells Fargo: 800-288-3212

Please see RELIEF, A8

PHOTO BY AP/WIDEWORLD

# RELIEF: ‘Short sales’ dominate so far over loan modification

Continued from A1

Lenders receive partial or full credits toward the \$71 million depending on what kind of relief they provide. For instance, they get more credit for a principal loan balance reduction. They get less for a “short sale” in which homeowners sell their homes for less than they owe with no obligation to repay the shortfall. Credits can be as little as 5 cents on the dollar.

Steve Levins, a Hawaii deputy attorney general involved with the issue, said the “vast majority” of relief is still on the way.

“This is just the beginning,” he said of the report’s results. “It’s really just an early snapshot.”

According to the report, nearly all of the relief nationally — \$8.7 billion of \$10.6 billion — reflected short sales that can earn lenders credits of 20 cents to 45 cents on the dollar.

Hawaii short-sale relief accounted for \$35 million of the \$40 million in relief through June. But factoring the credit value of short sales, it’s estimated that lenders have satisfied only \$7 million to \$16 million of their \$71 million obligation to Hawaii borrowers.

Levins said the preponderance of short-sale relief is understandable because it’s quicker and easier compared

<b>FIGHT AGAINST FORECLOSURE</b>			
<i>Mortgage alleviation breakdown for Hawaii homeowners:</i>			
RELIEF TYPE	VALUE	BORROWERS	AVERAGE RELIEF
Short sales	\$34.8M	254	\$137,178
Second mortgage forgiveness	\$1.3M	14	\$93,908
First mortgage principal reduction	\$528,045	6	\$88,008
Principal reduction on previously modified loans	\$303,174	5	\$60,635
Second mortgage principal reduction	\$283,100	5	\$56,620
Refinancing	\$156,208	14	\$11,158
Other	\$2.6M	64	\$40,075
<b>Total relief</b>	<b>\$40M</b>	<b>362</b>	<b>\$110,479</b>

*Source: Office of Mortgage Settlement Oversight report for March 1-June 30*

with loan modifications that require underwriting.

Lenders must direct much of their financial relief at loan balance reductions, and can earn credit bonuses for reducing loans before March 1, 2013. There’s also a cap on short sales, while penalties can be imposed for not meeting loan reduction requirements.

At the federal level, about \$10 billion of the \$25 billion must go toward principal loan balance reductions under the settlement.

During the four months covered by the report, only about \$1 billion in principal reductions were made nationally, and the nation’s largest lender, Bank of America, hadn’t done any.

In Hawaii, only \$528,045 in principal reductions were made, representing an average reduction of \$88,008 for six borrowers, the report said. Other types of relief for Hawaii borrowers included forgiving \$1.3 million in second mortgages for 14 borrowers eliminating an average debt of \$93,908, and refinancing 14 loans at lower interest rates providing average borrower relief of \$11,158.

The average short-sale debt forgiveness was

\$137,178 on 254 sales.

Not included in the \$40 million total were 56 trial loan modifications approved or started that could eliminate \$9.3 million in loan debt, or \$165,559 on average per borrower.

Michelle Saito, a Coldwell Banker Pacific Properties agent who directs sale efforts of foreclosed homes, said lenders have become much more proactive with short sales, loan modifications and deed transfers to avoid foreclosure.

It’s not uncommon for lenders to offer \$3,000 to \$4,000 in relocation expenses to a borrower giving up their home to avert foreclosure, she said.

Saito said the settlement is one major reason for foreclosure avoidance, though other factors also are at work, such as changes to Hawaii’s foreclosure law, other federal programs and new guidelines going into effect soon for Fannie Mae and Freddie Mac.

Levins said the five lenders are scheduled to provide a more comprehensive report to states in November that should give a better picture of the broad relief effort.

Of the \$71 million of

Hawaii’s promised relief, \$30 million must go toward principal reduction; \$20 million is for other debt relief including loan modifications and short sales; \$9.3 million is for refinancing loans; \$8.2 million is for assistance programs such as credit counseling and mediation; and \$3.2 million is for one-time direct payments of up to \$2,000 to borrowers who lost their homes to foreclosure from 2008 to 2011.

Levins said claim forms for the direct payments are to be mailed out soon to more than 1,600 eligible homeowners.

For homeowners not current on their mortgage payments or in danger of default, Levins said they should contact their lender about possible relief if their lender hasn’t contacted them. Levins also said people having difficulty with relief issues should contact the Office of Mortgage Settlement Oversight at mortgageoversight.com or the Hawaii Attorney General at 586-1500 or hawaii.gov/ag.

Other information about relief and the settlement, including phone numbers for the five lenders, is available at nationalmortgagesettlement.com.



# Multistate Mortgage Foreclosure Settlement

## Joint State-Federal Mortgage Servicing Settlement FAQs

### **Q: What is a mortgage servicer and how do I know who services my loan?**

A: A mortgage servicer administers mortgage loans, including collecting and recording payments from borrowers. A servicer also handles loan defaults and foreclosures, and may offer loss mitigation programs to assist delinquent borrowers.

The company that you make your monthly payment to is your mortgage servicer. Your mortgage servicer may or may not be a lending institution and may or may not own your loan. Many of the loans administered by servicers are owned by third-party investors.

This settlement involves the nation's five largest mortgage servicers, including Ally, Bank of America, Citi, JPMorgan Chase and Wells Fargo.

Loans owned by Fannie Mae or Freddie Mac are not impacted by this settlement. You may visit the following websites to learn if your loan is owned by either Fannie Mae or Freddie Mac:

- [www.fanniemae.com/homeaffordable](http://www.fanniemae.com/homeaffordable)
- [www.freddiemac.com/avoidforeclosure](http://www.freddiemac.com/avoidforeclosure)

### **Q: How does this settlement hold the banks accountable?**

A: This is a settlement that primarily addresses the banks' servicing of loans, including their handling of foreclosures. One of the primary areas of attention was the practice known as "robo-signing" where the banks submitted foreclosure documents that were not properly reviewed or notarized. This settlement holds the banks accountable for their servicing violations through substantial financial penalties and extensive consumer relief.

This is the second largest civil settlement ever obtained by the state attorneys general. It's second only to the tobacco settlement that has spread payments to the states over 25 years. The settlement will cost the nation's five largest mortgage servicers, which control about 60 percent of the mortgage servicing market, an estimated \$25/19 to \$32/24.5 billion.

The settlement will require the banks to accomplish a massive undertaking – changing their broken system of servicing loans into one that is functional. The banks will reduce the principal on many of their loans – something that they have resisted for years – to allow homeowners to keep their homes. They will also refinance loans for "underwater" borrowers who have been unable to refinance due to negative equity. They will pay billions of dollars to the states, and, most importantly, commit billions more to consumers.

The banks will be subject to a federal court order enforceable by a federal judge. In addition, a special independent monitor will have the authority to oversee the banks and require their compliance. Federal agencies and state attorneys general can enforce compliance if there are violations.

The agreement holds the banks accountable for their wrongdoing on robo-signing and mortgage servicing. This settlement does not seek to hold them responsible for all their wrongs over the past five years.

The agreement and its release preserve legal options for others to pursue. Governmental entities and private parties are aggressively pursuing securities cases against the banks. A joint federal-state task force has been formed to investigate and prosecute those responsible for the collapse of the mortgage lending and investment markets.

**Q: Did you conduct an investigation?**

A: Yes. The robo-signing investigation began in October of 2010, as an investigation into the alleged false affidavits submitted in foreclosure proceedings. Its scope soon broadened to encompass a long list of mortgage servicing issues, such as lost paperwork, and long delays and missed deadlines for loan modifications. Long before they announced their investigation, attorneys general and state banking regulators across the country fielded thousands of mortgage servicing complaints. Many states took part in mortgage-related working groups, launched foreclosure prevention efforts, and took action against subprime and predatory lenders. Attorneys general have probably had more front-line experience with mortgage servicing than any other governmental entity.

After the states began their investigation in this case, they partnered with the U.S. Justice Department, the Treasury Department, and the Department of Housing and Urban Development. Federal agencies provided the joint state-federal legal team with strong and detailed evidence concerning robo-signing and other servicing abuses. The state attorneys general also partnered with state banking commissioners who conducted thorough examinations of mortgage servicers under their jurisdiction. The level of cooperation among the states and between the states and federal government was unprecedented, and gave the joint state-federal negotiating team substantial leverage in this extraordinary settlement.

**Q: Will this settlement fix the entire mortgage industry breakdown?**

A: No. This is a mortgage servicing settlement that addresses only a portion of the mortgage lending system. However, the settlement's tough, new mortgage servicing standards will have a widespread impact on future mortgage loan servicing.

States and federal agencies that sign onto the agreement are not restricted from investigating and pursuing many other mortgage-related issues, including securities-related cases, criminal cases, and other matters connected to the mortgage crisis.

On January 27, 2012, U.S. Attorney General Eric Holder along with Housing and Urban Development

(HUD) Secretary Shaun Donovan, Securities and Exchange Commission (SEC) Director of Enforcement Robert Khuzami and New York Attorney General Eric Schneiderman announced the formation of the Residential Mortgage-Backed Securities Working Group. The working group will investigate those responsible for misconduct contributing to the financial crisis through the pooling and sale of residential mortgage-backed securities.

**Q: Why don't you sue the banks and try to get even more money?**

A: Litigation takes time, it carries substantial risks, and it expends significant resources. While legal cases drag on, homeowners in desperate need of relief are left to watch and wait for an uncertain outcome.

Millions more homeowners will likely lose their homes long before the court battles end. The outcomes of litigation, win or lose, are anything but certain. Even if the cases were successful, it is unlikely that the recovery would exceed \$25 billion and produce the major servicing reforms obtained in this settlement.

And a money judgment could not realistically include principal reduction requirements, refinancing for underwater borrowers, and many of the other significant components of this agreement.

**Q: A majority of mortgages are unaffected by this settlement. When will you work to obtain relief for the vast majority of homeowners?**

A: This settlement primarily affects mortgages that are owned and held by the nation's largest bank servicers. Those homeowners may receive benefits such as modifications, principal reductions or direct payments from lenders.

Two government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, control a majority of the nation's mortgage loans. GSE loans are not eligible for parts of this settlement because of positions their regulator, FHFA, has taken.

However, homeowners with GSE-controlled mortgages who won't directly benefit from settlement-related programs – that's most of us – will still see benefits through dropping foreclosures, stabilizing home values and significant new mortgage servicing standards and consumer protections.

This settlement, in addition to recent federal efforts to modify Freddie and Fannie loans, means that the majority of distressed borrowers might qualify for some level of help.

**Q: What about those of us who keep making our mortgage payments?**

A: Borrowers who are current in their payments but are “underwater” on their mortgages may qualify for refinancing relief under the settlement.

Beyond that, the mortgage servicers involved in this settlement broke the law, the conduct harmed borrowers, and this settlement addresses that conduct. If the mortgage servicers followed the law, many foreclosures likely could have been prevented. Foreclosure has a profound impact beyond the borrower and the creditor. A foreclosure affects homeowners, families, neighborhoods, communities, the housing market and our overall economy.

When a house is subject to foreclosure, it creates a ripple effect that lowers the value of nearby single-family homes and other properties. In 2009 the Center for Responsible Lending projected that homeowners living near foreclosed properties, on average, would lose \$7,200 in property value, and projected a four-year increase in losses to \$20,300 per household.

Foreclosures contribute to unstable family and social environments. They increase stress on homeowners, their families and their neighbors. These deteriorating, neglected properties and neighboring property value losses create neighborhood blight, cut a community’s tax base, and can contribute to crime. Displaced homeowners put other stresses on communities, including the need for shelter and social services.

Foreclosures affect everyone and affect our economy – even those who play by the rules and pay their monthly mortgage on time.

**Q: Why force banks to forgive large portions of peoples’ loans?**

A: The states and federal agencies established that the servicers have done wrong – through improper lending practices, improper foreclosures, etc. – and in response the banks have agreed to a settlement that helps many homeowners who have been hurt by misconduct in the marketplace.

Some banks have already acknowledged that principal reduction can be effective tool in stabilizing the housing market and have already been forgiving portions of some loans. The idea is to keep people in their homes. The banks lose, on average, about \$60,000 on each foreclosure. It is a win-win proposition for the banks to give up some principal – instead of that \$60,000 cost of each foreclosure – and allow people to remain in their homes. As a matter of pure economics, principal foreclosure is often better for the bank than the massive losses associated with foreclosure.

The huge number of foreclosures impacts all of us: our nest eggs erode, we may no longer borrow against our homes, and we can’t sell them when we need to. Principal reduction is one of the tools we’ve negotiated to help keep more people in their homes and help stabilize the housing market – which helps all of us. It’s true that principal forgiveness at this level is extraordinary. But so is the mortgage crisis, which affects families, our neighborhoods and our economy. Big problems require big solutions.

**Q: Will investors in mortgage-backed securities ultimately pay for part of this settlement?**

A: Participating banks own the vast majority of the mortgage loans that this settlement is expected to affect. The settlement could affect some investor-owned loans, depending on existing agreements servicers have with those investors.

When banks weigh which mortgage loans to modify as part of this settlement, they will do so based on first analyzing the costs and the benefits of minimizing their losses. If a loan modification, including principal reduction, is projected to cost the creditor or investor less than foreclosure, the creditor will earn more on that loan.

In other words, this settlement will not force investors to incur losses. That's because any loan modification tied to this settlement will result in more of a financial return for an investor than a foreclosure would.

**Q: Will taxpayers ultimately pay for this settlement?**

A: No, the settlement is not funded by taxpayers.

**Q: Why are you releasing the banks from some claims?**

A: The release of claims relinquishes particular state and federal claims on issues addressed by the settlement. The release is narrow and is limited to mortgage servicing and origination claims. States that sign on may still pursue other claims against the banks, such as securities and securitization claims. States could also sue financial institutions that are not part of the settlement.

States that opt not to sign the agreement are free to pursue their own legal actions. However, those states would give up all the funds designated specifically for their state and its citizens who were foreclosure victims. Homeowners of those states would also only qualify for a significantly reduced amount of loan modification and other benefits being distributed as part of the settlement's national programs.

The agreement does not affect any individual's rights. A consumer may still bring an individual action, be a part of a class action, or seek further review/relief from the Office of the Comptroller of the Currency (OCC).

**Q: Does this immunize banks from prosecution?**

A: No. There's no criminal immunity whatsoever. State attorneys general are using their civil law

enforcement authority to fight for homeowners. They are not immunizing any individuals or institutions from prosecution. Criminal prosecutions are an entirely separate matter from a civil legal matter. This is a civil, not a criminal, settlement, and this settlement does not prevent state or federal prosecutions.

**Q: How will this settlement protect consumers in the future?**

A: The banks have agreed to major reforms in how they service mortgage loans. These new servicing standards require lenders and servicers to adhere to a long list of rights for those facing foreclosure. For example, borrowers will have the right to see all of their loan documents to make sure any potential foreclosure is legal; they will be given every opportunity to first modify their loan before facing foreclosure; lenders and servicers will be required to have an appropriate number of well-trained staff members to promptly respond to the needs of distressed borrowers; and finally, borrowers will have the right to deal with a reliable, single point of contact so they have access to a person from whom to obtain information throughout the process. This is very important because, throughout the foreclosure crisis, borrowers have lodged widespread complaints about their frustrations in trying to work with their lenders. They've complained about unresponsive employees, lost documents, and conflicting information.

**Q: Why doesn't this settlement deal with the banks' conduct in securitizing loans?**

A: This case began with robo-signing and was later expanded to foreclosure conduct and other mortgage servicing abuses. These are major, complex issues in themselves. What the state attorneys general have received in return for releasing claims on these matters is huge – billions in loan modifications and other benefits for borrowers who have been harmed as well as significant new protections for homeowners.

This case has focused on getting relief for homeowners, not for hedge fund investors. Expanding the reach to securities and securitization would have slowed the case considerably and massively increased the complexity of an already complex situation. It would have pitted the interests of homeowners against powerful investment funds, insurance companies and other private investors.

Nothing in this settlement prevents attorneys general or others from investigating, pursuing legal action, or seeking settlements related to securities.

**Q: How can we be assured that the banks will comply with the new servicing standards?**

A: This settlement is backed by a federal court order. State attorneys general and the U.S. Department of Justice can seek redress if the banks don't follow the settlement terms.

The settlement also includes an independent monitor. The monitor, who will work from a strict set of objective measuring standards, will oversee the carrying out of this agreement and will report to the

states and federal agencies on the banks' compliance. There are significant penalties if the banks violate the court judgment. A court ordered settlement is very different from the voluntary, foreclosure prevention efforts that have been tried to date.

**Q: How does this settlement affect members of the military?**

A: The Servicemembers Civil Relief Act (SCRA) provides protections for active service members, including postponing or suspending certain civil obligations, such as mortgage payments and foreclosure. This settlement provides enhanced safeguards for military personnel that go beyond SCRA protections, including extending the window of protections for qualified service members, and not requiring service members to be delinquent to qualify for a short sale, loan modification, or other loss mitigation relief if the service member suffers financial hardship and is otherwise eligible for such loss mitigation.

**Q: How will I know whether this settlement affects my situation?**

A: Because of the complexity of the mortgage market and this agreement, which will be performed over a three year period, borrowers will not immediately know if they are eligible for relief. For loan modifications and refinance options, borrowers may be contacted directly by one of the five participating mortgage servicers. For payments to foreclosure victims, a settlement administrator designated by the attorneys general will send claim forms to eligible persons. Even if you are not contacted, if your loan is serviced by one of the five settling banks, you are encouraged to contact your servicer to see if you are eligible.

In any event, borrowers may contact their mortgage servicer to obtain more information about specific loan modification programs and whether the borrower may be impacted by this settlement. More information will be made available as the settlement programs are implemented.

For more information on the proposed agreement:

**State of Hawaii**

**Department of the Attorney General**

425 Queen Street

Honolulu, Hawaii 96813

(808) 586-1500

<http://hawaii.gov/ag/mortgagesettlement>

[www.NationalForeclosureSettlement.com](http://www.NationalForeclosureSettlement.com)

[www.HUD.gov](http://www.HUD.gov)

[www.DOJ.gov](http://www.DOJ.gov)

### **Ally/GMAC**

(808-766-4622)

<https://www.gmacmortgage.com/finform/hhstart.htm>

### **Bank of America**

(808-766-4622)

<http://homeloanhelp.bankofamerica.com>

### **Citigroup**

(808-766-4622)

<https://www.citimortgage.com/Mortgage/displayHomeOwnerAssistance.do?page=overview>

### **J.P. Morgan Chase**

(808-766-4622)

<https://www.chase.com/chf/mortgage/keeping-your-home>

### **Wells Fargo**

(808-766-4622)

<https://www.wellsfargo.com/homeassist/>



HUD > Topic Areas > Avoiding Foreclosure

# Avoiding Foreclosure

The Obama Administration has implemented a number of programs to assist homeowners who are at risk of foreclosure and otherwise struggling with their monthly mortgage payments. The majority of these programs are administered through the U.S. Treasury Department and HUD. This page provides a summary of these various programs. Please continue reading in order to determine which program can best assist you.

Distressed homeowners are encouraged to contact their lenders and loan servicers directly to inquire about foreclosure prevention options that are available. If you are experiencing difficulty communicating with your mortgage lender or servicer about your need for mortgage relief, click [here](#) for information about organizations that can help contact lenders and servicers on your behalf.

## Making Home Affordable

The **Making Home Affordable © (MHA) Program** is a critical part of the Obama Administration's broad strategy to help homeowners avoid foreclosure, stabilize the country's housing market, and improve the nation's economy.

Homeowners can lower their monthly mortgage payments and get into more stable loans at today's low rates. And for those homeowners for whom homeownership is no longer affordable or desirable, the program can provide a way out which avoids foreclosure. Additionally, in an effort to be responsive to the needs of today's homeowners, there are also options for unemployed homeowners and homeowners who owe more than their homes are worth. Please read the following program summaries to determine which program options may be best suited for your particular circumstances.

## Modify or Refinance Your Loan for Lower Payments

- **Home Affordable Modification Program (HAMP):** HAMP lowers your monthly mortgage payment to 31 percent of your verified monthly gross (pre-tax) income to make your payments more affordable. The typical HAMP modification results in a 40 percent drop in a monthly mortgage payment. Eighteen percent of HAMP homeowners reduce their payments by \$1,000 or more. [Click Here](#) for more information.
- **Principal Reduction Alternative (PRA):** PRA was designed to help homeowners whose homes are worth significantly less than they owe by encouraging

## Related Information

[HOPE NOW Alliance](#)

[HOPE NOW Unemployment Resources](#)

[Talk to a HUD-Approved Housing Counseling Agency](#)  
[U.S. Department of Labor Career One Stop](#)

[FHA Loss Mitigation Services](#)

[EHLPSubstantially Similar States](#)

[Innovation Fund for Hardest Hit Housing Markets](#)

[USDA Loan Modifications](#)  
[Veterans Administration-HAMP](#)

[Reverse Mortgages: Get the Facts](#)

[Are You At Risk of Foreclosure?](#)

[Tips for Avoiding Foreclosure](#)

[Tips for Avoiding Foreclosure \(brochure\)](#)

[Tips for Avoiding Scams](#)

servicers and investors to reduce the amount you owe on your home. [Click Here](#) for more information.

- **Second Lien Modification Program (2MP):** If your first mortgage was permanently modified under HAMP SM and you have a second mortgage on the same property, you may be eligible for a modification or principal reduction on your second mortgage under 2MP. Likewise, If you have a home equity loan, HELOC, or some other second lien that is making it difficult for you to keep up with your mortgage payments, learn more about this MHA program. [Click Here](#) for more information.
- **Home Affordable Refinance Program (HARP):** If you are current on your mortgage and have been unable to obtain a traditional refinance because the value of your home has declined, you may be eligible to refinance through HARP. HARP is designed to help you refinance into a new affordable, more stable mortgage. [Click Here](#) for more information.

### "Underwater" Mortgages

In today's housing market, many homeowners have experienced a decrease in their home's value. Learn about these MHA programs to address this concern for homeowners.

- **Home Affordable Refinance Program (HARP):** If you are current on your mortgage and have been unable to obtain a traditional refinance because the value of your home has declined, you may be eligible to refinance through HARP. HARP is designed to help you refinance into a new affordable, more stable mortgage. [Click Here](#) for more information.
- **Principal Reduction Alternative:** PRA was designed to help homeowners whose homes are worth significantly less than they owe by encouraging servicers and investors to reduce the amount you owe on your home. [Click Here](#) for more information.
- **Treasury/FHA Second Lien Program (FHA2LP):** If you have a second mortgage and the mortgage servicer of your first mortgage agrees to participate in FHA Short Refinance, you may qualify to have your second mortgage on the same home reduced or eliminated through FHA2LP. If the servicer of your second mortgage agrees to participate, the total amount of your mortgage debt after the refinance cannot exceed 115% of your home's current value. [Click Here](#) for more information.

### Assistance for Unemployed Homeowners

- **Home Affordable Unemployment Program (UP):** If you are having a tough time making your mortgage payments because you are unemployed, you may be eligible for UP. UP provides a temporary reduction or suspension of mortgage payments for **at least twelve months** while you seek re-employment. [Click Here](#) for more information.
- **Emergency Homeowners' Loan Program (EHLPL), Substantially Similar States:** If you live in **Connecticut, Delaware, Idaho, Maryland, or Pennsylvania**, [Click Here](#) for more information about EHLPL assistance provided in your state.
- **FHA Forbearance for Unemployed Homeowners:** Federal Housing Administration (FHA) requirements now require servicers to extend the forbearance period for unemployed homeowners to 12 months. The changes to FHA's Special Forbearance Program announced in July 2011 require servicers to extend the forbearance period for FHA borrowers who qualify for the program from four months to 12 months and remove upfront hurdles to make it easier for unemployed borrowers to qualify. [Click Here](#) for more information.

#### Managed Exit for Borrowers

- **Home Affordable Foreclosure Alternatives (HAFA):** If your mortgage payment is unaffordable and you are interested in transitioning to more affordable housing, you may be eligible for a short sale or deed-in-lieu of foreclosure through HAFA SM. [Click Here](#) for more information.
- **"Redemption"** is a period after your home has already been sold at a foreclosure sale when you can still reclaim your home. You will need to pay the outstanding mortgage balance and all costs incurred during the foreclosure process. [Click Here](#) for more information.

#### FHA-Insured Mortgages

**The Federal Housing Administration (FHA)**, which is a part of the **U.S. Department of Housing and Urban Development (HUD)**, is working aggressively to halt and reverse the losses represented by foreclosure. Through its **National Servicing Center (NSC)**, FHA offers a number of various loss mitigation programs and informational resources to assist FHA-insured homeowners and **home equity conversion mortgage (HECM) borrowers** facing financial hardship or unemployment and whose mortgage is either in default or at risk of default.

- [Click Here](#) to log onto the NSC Loss Mitigation Programs home page.
- [Click Here](#) for answers to Frequently Asked Questions about FHA's loss mitigation programs.

#### CONTACT FHA

FHA staff are available to help answer your questions and assist you to better understand your options as an FHA borrower under these loss mitigation programs. There are several ways you can contact FHA for more information, including:

- Call the NSC at **(877) 622-8525**
- Call the FHA Outreach Center at 1-800-CALL FHA (800-225-5342)
- Persons with hearing or speech impairments may access this number via TTY by calling the Federal Information Relay Service at **(800) 877-8339**.
- **Email the FHA Resource Center**
- **The Online FHA Resource Center**



Comptroller of the Currency  
Administration of National Banks  
U.S. Department of the Treasury

CA 2011-1  
Consumer Advisory

**Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219  
Date: February 24, 2011**

### **Avoiding Mortgage Modification Scams and Foreclosure Rescue Scams**

Homeowners struggling to make payments on their mortgages and other debts should beware of con artists and scams that promise to save their homes and eliminate their debts.

These so-called foreclosure or mortgage consultants often use public notices or lists of distressed borrowers purchased from private companies to find their targets. They may offer to "prevent" foreclosures or "rescue" desperate homeowners from foreclosure through advertising, e-mail, phone calls, or in person.

Financially troubled homeowners can avoid foreclosure prevention scams by working with housing counselors approved by the U.S. Department of Housing and Urban Development (HUD). Assistance from HUD-approved housing counselors is free, and homeowners can reach them by calling 1-888-995-HOPE (4673) or visiting [makinghomeaffordable.gov](http://www.makinghomeaffordable.gov) [<http://www.makinghomeaffordable.gov>]

This consumer advisory describes common foreclosure scams, suggests ways homeowners can avoid those scams, and outlines new federal rules to protect homeowners from such schemes. This advisory also lists 10 warning signs homeowners can use to identify foreclosure scams.

#### **Common Types of Scams**

Examples of scams related to mortgage modification and foreclosure prevention include:

- **Foreclosure rescue and refinance fraud.** Scam artists offer to act as intermediaries between homeowners and lenders and to negotiate repayment plans or loan modifications. They may even "guarantee" to save your home from foreclosure. They tell you to make mortgage payments directly to them so they can forward payments to your lender. In reality, they may pocket your money and leave you in worse shape on your loan.
- **Fake "government" modification programs.** Scam artists create Web sites that mimic federal Web sites and use business names similar to those used by government agencies. They may use "federal," "TARP," or other words, acronyms, and abbreviations commonly associated with official government programs. These tactics are designed to fool you into thinking they are approved by, or affiliated with, the federal government.
- **Leaseback and rent-to-buy schemes.** Con artists entice you to transfer the title of your home to them with promises of new and better financing. They say you can rent your home and eventually buy it back. But, if you do not comply with the terms of the rent-to-buy agreement, you can lose your money and your home. The agreement may be written in a

way that makes it very hard to comply. In fact, the con artists have no intention of ever selling your home back to you. They want your home and your money.

- **Bankruptcy scams.** Scam artists may claim bankruptcy will solve your problems. But filing for bankruptcy is rarely a permanent solution to prevent foreclosure. Filing for bankruptcy brings an “automatic stay” into effect that stops any collection and foreclosure action while the bankruptcy court administers the case. Eventually, you must make payments on your mortgage, or the lender has the right to foreclose. In addition, bankruptcy lowers your credit score and remains on your credit report for 10 years.
- **Debt-elimination schemes.** Scam artists use illegitimate legal arguments to persuade you that they can “eliminate” your debt and that you are not obligated to pay back your mortgage. They make inaccurate claims about applicable laws and finance, such as “secret laws” that allow you to erase your debts or that imply that banks do not have the authority to lend money.

### **How to Protect Yourself From Mortgage Modification and Foreclosure Rescue Scams**

You must proceed with caution when dealing with anyone offering to help you modify your mortgage or rescue you from foreclosure. Remember, you can seek assistance from a HUD-approved housing counselor at no cost, and you can work with your lender directly.

The following tips can help you avoid scams involving mortgage modification and foreclosure.

- **Contact your lender or mortgage servicer.** Talk with an agent in the loss-mitigation department about mortgage modification options and other alternatives to foreclosure.
- **Ask a legitimate housing or financial counselor for help.** HUD-approved housing counselors are available at 1-888-995-HOPE (4673) or [makinghomeaffordable.gov](http://www.makinghomeaffordable.gov) [<http://www.makinghomeaffordable.gov>]. They do not charge a fee for this assistance.
- **Make all mortgage payments directly to your lender or mortgage servicer.** Do not trust anyone to make mortgage payments for you. Do not stop making your payments.
- **Know what you are signing.** Read and understand every document that you sign. Never rely solely on an oral explanation of a document. Make sure that you read and understand every aspect of a document. Otherwise, the document may obligate you to terms you do not want, and it may convey ownership of your home to someone else. Never sign documents with blank spaces that can be filled in later. Never sign a document that contains errors or false statements, even if someone promises to correct them. If you do not understand a document, seek advice from a lawyer or financial counselor you trust.
- **Do not sign over your deed without consulting a trusted expert.** Foreclosure scams often involve the transfer of homeownership to a third party. Never agree to a title transfer before considering advice from your lawyer, financial adviser, credit counselor, or another independent person you can trust. When you sign over your deed, you lose your rights to your home and any equity you have, but you remain obligated to satisfy the terms of the mortgage.
- **Get promises in writing.** Do not accept oral promises and agreements involving your home, because they usually are not legally binding. Protect your rights with a written document or a contract signed by the person making the promise. Keep copies of all contracts that you sign. Never sign anything that you don't understand and agree to.
- **Report suspicious activity to relevant federal agencies and to your state and local consumer protection agencies.** Reporting con artists and suspicious schemes helps prevent others from becoming victims. If your complaint or question involves a national bank and you cannot resolve it directly with the bank, contact the OCC's Customer

Assistance Group by visiting [helpwithmybank.gov](http://helpwithmybank.gov) [http://helpwithmybank.gov]. You can also submit complaints to the Federal Trade Commission (FTC) at [ftccomplaintassistant.gov](http://ftccomplaintassistant.gov).

• **Visit the following Web sites for more information:**

- [helpwithmybank.gov](http://www.helpwithmybank.gov) [http://www.helpwithmybank.gov]
- [makinghomeaffordable.gov](http://www.makinghomeaffordable.gov) [http://www.makinghomeaffordable.gov]
- [consumerfinance.gov](http://www.consumerfinance.gov) [http://www.consumerfinance.gov]
- [consumeraction.gov](http://www.consumeraction.gov) [http://www.consumeraction.gov]
- [nw.org](http://www.nw.org) [http://www.nw.org]

**New Federal Rules to Protect Homeowners Working With Foreclosure Rescue Companies**

Homeowners should seek assistance from HUD-approved counselors or work directly with their mortgage lenders. However, new rules issued by the FTC in 2010 protect homeowners seeking assistance from a company or person providing mortgage modification assistance and foreclosure relief. These new rules ban advance fees, require clear disclosures, and prohibit false or misleading claims.

**Advance fee ban.** Providers are generally banned from collecting fees until the provider gives consumers two documents: (1) a written loan modification offer from a lender or servicer that is acceptable to the consumer and (2) a written document from the lender or servicer that describes the key changes to the mortgage that would result if the consumer accepts the offer. If the loan modification is a trial modification, the provider may not collect a fee if it does not disclose that the modification is temporary and the consumer may not qualify for permanent relief. The provider must also remind the consumer of the option to reject the offer without any charge.

**Disclosures.** Any provider offering foreclosure rescue assistance must disclose the following:

- The amount of any fees associated with the service;
- That the provider is not associated with the government, and that its services have not been approved by the government or the homeowner's lender;
- That the lender or servicer may not agree to change the homeowner's loan;
- That the homeowner may stop doing business with the provider of the mortgage relief service at any time, that the homeowner may accept or reject any offer that the company obtains from the lender or servicer, and, if the consumer rejects the offer, that the homeowner does not have to pay the company's fee; and
- If the provider tells a homeowner to stop making mortgage payments, the provider must also inform the homeowner that the consumer's home could be lost and the consumer's credit rating damaged as a result.

**Prohibited claims.** New rules prohibit foreclosure rescue providers from making false or misleading claims about their services, including:

- The likelihood that the homeowner will get the promised results;
- The time it will take to obtain these results;
- The provider's affiliation with government or private entities;
- The homeowner's obligation to make mortgage payments and meet other mortgage obligations;
- The terms of the homeowner's mortgage loan, including the amount owed;

- The provider's refund and cancellation policies;
- Whether the provider performed the services promised;
- Whether the provider will provide legal representation to the homeowner;
- The availability or cost of alternatives to for-profit mortgage assistance relief services offered by the provider;
- The amount of money the homeowner will save by using the provider's services; and
- The cost of the services.

The new rules require foreclosure rescue providers to have reliable evidence for any claims they make about the benefits, performance, or effectiveness of their services. Additionally, the rules bar anyone from instructing homeowners to stop communicating with the homeowner's lender or servicer.

For more information about the new rules, visit [ftc.gov/opa/2010/11/mars.shtm](http://www.ftc.gov/opa/2010/11/mars.shtm)  
 [<http://www.ftc.gov/opa/2010/11/mars.shtm>]

### 10 Warning Signs of Mortgage Modification and Foreclosure Rescue Scams

1. **"Pay us \$1,000, and we'll save your home."** Some legitimate housing counselors may charge small fees, but fees that amount to thousands of dollars are likely a sign of potential fraud. Companies cannot collect fees until you have a written, acceptable offer from your lender or servicer and a written description of the key changes to your mortgage.
2. **"I guarantee I will save your home—trust me."** Beware of guarantees that a person or company can stop foreclosure and allow you to remain in your house. Unrealistic promises are a sign that the person making them will not consider your particular circumstances and is unlikely to provide services that will actually help you. Providers must give you realistic evidence for any claims they make.
3. **"Sign over your home, and we'll let you stay in it."** Beware of anyone offering to make mortgage payments for you and rent your home back to you in exchange for the title to your home. Signing over the deed to a person gives that person the power to evict you, to raise your rent, or to sell your house. Although you will no longer own your home, you still will be legally responsible for paying the mortgage.
4. **"Stop paying your mortgage."** Do not trust anyone who tells you to stop making payments to your lender or servicer, even if the person promises to make payments for you. If a company tells you this, it must also tell you that you may lose your home and damage your credit rating.
5. **"If your lender calls, don't talk to him or her."** Companies are legally barred from telling you to stop communicating with your lender or servicer. Advice like this is a good sign of a scam.
6. **"Your lender never had the legal authority to make a loan."** Do not listen to anyone who claims that "secret laws" can erase your debt and have your mortgage contract declared invalid. You are being conned if someone claims that you are not obligated to pay your mortgage.
7. **"Just sign this now; we'll fill in the blanks later."** Take the time to read and understand anything you sign. Never let anyone else fill out paperwork for you. Don't let anyone pressure you into signing anything that you don't agree with or understand.



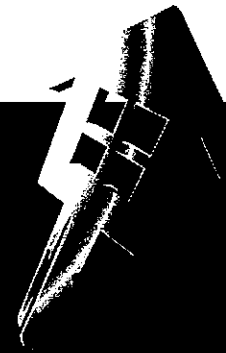
8. **“Call 1-800-Fed-Loan.”** Beware of providers that imitate official federal programs. Providers of mortgage relief services must tell you in their communications with you that they are not affiliated with the government. Keep in mind that assistance from a HUD-approved housing counselor is free and available by calling 1-888-995-HOPE (4673) or visiting [makinghomeaffordable.gov](http://www.makinghomeaffordable.gov) <sup>[http://www.makinghomeaffordable.gov]</sup>. And, you can always work directly with your lender or mortgage servicer.
9. **“File for bankruptcy, and you can keep your home.”** Filing for bankruptcy stops foreclosure only temporarily. If you do not make your mortgage payments, the bankruptcy court will eventually allow your lender to foreclose. Beware that a scam artist can file for bankruptcy in your name, without your knowledge, to temporarily stop foreclosure and give you the impression that he or she has negotiated a new payment agreement with your lender on your behalf.
10. **“Why haven't you replied to our offer? Do you want to live on the streets?”** High-pressure tactics signal trouble. If someone pressures you to work with him or her to stop foreclosure, do not work with that person. Legitimate housing counselors do not conduct business that way.

**Related Link**

- PDF

An important message from the Federal Trade Commission

# For Homeowners



Facing foreclosure? Scammers are targeting people having trouble paying their mortgages. Some claim to be able to “rescue” homeowners from foreclosures, while others promise to modify your loan – for a fee. The Federal Trade Commission, the nation’s consumer protection agency, wants you to know how to avoid scams that could make your housing situation go from bad to worse.

If you are in danger of foreclosure, AVOID any individual or company that:

## Requires a fee in advance

Don’t pay any business, organization, or person who promises to prevent foreclosure or guarantees you a new mortgage. So-called “foreclosure rescue companies” claim they can help save your home, but they can’t really do that. They’re just out to make a fast buck. Some may ask for hefty fees in advance – and then, once you pay, stop returning your calls. Others may string you along before disclosing their charges. Cut off all dealings if someone insists on a fee in advance.

## Promises to find mistakes in your loan documents that will force your lender to cancel or modify your loan

Cancelling your loan won’t allow you to stay in your home, and in most cases, lenders are not required to modify your loan to make it more affordable simply because of mistakes in your loan documents.

## Guarantees to stop a foreclosure

*“We can stop your foreclosure!”*

*“97% success rate!”*

*“Guaranteed to save your home!”*

These kinds of claims are the tell-tale signs of a foreclosure rip-off. Don’t do business with anyone who offers an “easy out” of foreclosure.

## Advises you to stop paying your mortgage company or stop talking to your mortgage company

Some scammers offer to handle financial arrangements for you, and then pocket your payment instead of sending it to your mortgage company. Send your mortgage payments **ONLY** to your mortgage company. Scammers may advise you not to communicate with your mortgage company. That’s a bad idea because you may not find out until it’s too late that the scammer has done nothing for you, that your mortgage company was willing to modify your loan, or even that foreclosure is just days away!

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## Help is Available

**Contact your mortgage company** as soon as possible if you’re having trouble paying your mortgage or if you get a foreclosure notice. Keeping the lines of communication with your mortgage company open is critical.



Federal Trade Commission  
ftc.gov/MoneyMatters

Call

# 1-888-995-HOPE

for free personalized advice from housing counseling agencies certified by the U.S. Department of Housing and Urban Development (HUD). This national hotline – open 24/7 – is operated by the Homeownership Preservation Foundation, a nonprofit member of the HOPE NOW Alliance of mortgage industry members and HUD-certified counseling agencies.

For free guidance online, visit

[www.hopenow.com](http://www.hopenow.com)

And for free information about the President's plan to help financially strapped homeowners in mortgage misery, visit

[www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov)



# FTC Facts

# For Consumers

February 2011



FEDERAL TRADE COMMISSION  
FOR THE CONSUMER

ftc.gov ■ 1-877-ftc-help

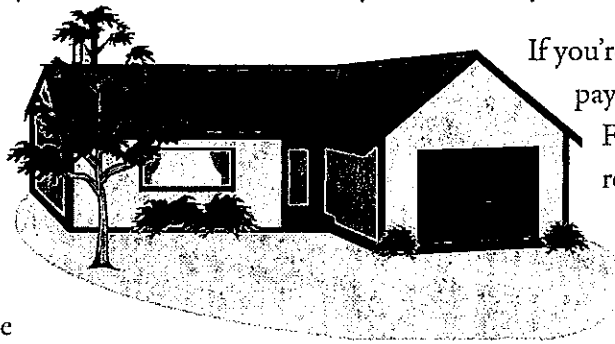
## Mortgage Assistance Relief Scams: *Another Potential Stress for Homeowners in Distress*

The possibility of losing your home to foreclosure can be terrifying. The reality that scam artists are preying on desperate homeowners is equally frightening. Many companies say they can get a change to your loan that will reduce your monthly mortgage payment or take other steps to save your home. Some claim that nearly all their customers get successful results and even offer a money-back guarantee. Others say they're affiliated with the government or your lender and still others promise the help of attorneys or real estate experts.

Unfortunately, many companies use half-truths and even outright lies to sell their services. They promise relief, but don't deliver. In fact, many of these companies leave their homeowner customers in worse financial shape.

The Federal Trade Commission (FTC), the nation's consumer protection agency, has a Rule in place to protect homeowners. The Mortgage Assistance Relief Services (MARS) Rule makes it illegal for companies

to collect any fees until a homeowner has actually received an offer of relief from his or her lender and accepted it. That means even if you agree to have a company help you, you don't have to pay until it gets you the result you want.



If you're struggling to make mortgage payments or facing foreclosure, the FTC wants you to know how to recognize a mortgage assistance relief scam and exercise your rights under the new Rule. And even if the foreclosure process has already begun, the FTC and its law enforcement partners want you to know that legitimate options are available to help save your home.

### HOW THE SCAMS WORK

Fraudsters use a variety of tactics to find homeowners in distress. Some sift through public foreclosure notices in newspapers and on the internet or through public files at local government offices, and then send personalized letters to homeowners. Others take a broader approach through ads on the internet, on television or radio, or in newspapers; posters on telephone poles, median strips, and at bus stops; or

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flyers, business cards, or people at your front door. The scam artists use simple – but potentially deceptive – messages, like:

*“Stop foreclosure now!”*

*“Get a loan modification!”*

*“Over 90% of our customers get results.”*

*“We have special relationships with banks that can speed up the approval process.”*

*“100% Money Back Guarantee.”*

*“Keep Your Home. We know your home is scheduled to be sold. No Problem!”*

Once they have your attention, they use a variety of tactics to get your money. By knowing how their scams work, the FTC says you’ll be better able to defend against fraud.

### ***Phony Counseling or Phantom Help***

The scam artists tell you that if you pay them a fee, they’ll negotiate a deal with your lender to reduce your mortgage payments or to save your home. They may claim to be attorneys or represent a law firm. They may tell you not to contact your lender, lawyer, or credit counselor. They promise to handle all the details once you pay them a fee. Then they stop returning your calls and take off with your money.

Sometimes, phony counselors insist you make your mortgage payments directly to them while they negotiate with the lender. They may collect a few months of payments – and then disappear.

### ***The “Forensic Audit”***

In exchange for an upfront fee, so-called forensic loan “auditors,” mortgage loan “auditors,” or foreclosure prevention “auditors” offer to have an attorney or other expert review your mortgage documents to determine if your lender complied with the law.

The “auditors” say you can use their report to avoid foreclosure, speed the loan modification process, reduce what you owe, or even cancel your loan. In fact, there’s no evidence that forensic loan audits will help you get a loan modification or any other mortgage relief.

### ***Rent-to-Buy Schemes***

Con artists who use the rent-to-buy scheme tell you to surrender the title to your house as part of a deal that allows you to stay there as a renter and buy it back later. They say that surrendering the title will let a borrower with a better credit rating get new financing and prevent the loss of the home. But the terms of these deals usually are so expensive that buying back your home becomes impossible. You lose the house and the scam artist walks off with the money you put into it. Worse, when the new borrower defaults on the loan, you’re the one who’s evicted.

In a variation, the scam artist raises the rent over time so you can’t afford it. After missing several rent payments, you’re evicted, leaving the “rescuer” free to sell the house.

In a similar equity-skimming scam, fraudsters offer to find a buyer for your home, but only if you sign over the deed and move out. They promise to pay you a portion of the profit when the home sells. Once you transfer the deed, they simply rent out the home and pocket the proceeds while your lender goes ahead with the foreclosure. The result: You lose your home – and you’re still responsible for the unpaid mortgage because transferring the deed does nothing to transfer what you owe on the mortgage.

### ***Bait-and-Switch***

In a bait-and-switch scam, con artists give you papers they claim you need to sign to get another loan to make your mortgage current. But buried in the stack is a document that surrenders the title to your house to the scammers in exchange for a “rescue” loan.

## KNOW YOUR RIGHTS

The FTC’s MARS Rule gives you rights – and sets out requirements for people who sell mortgage assistance relief services:

**You don’t have to pay any money until the company delivers the results you want.** It’s illegal for a company to charge you a penny until:

- 1 it’s given you a written offer for a loan modification or other relief from your lender; and
- 2 you accept the offer. The company also must give you a document from your lender showing the changes to your loan if you decide to accept your lender’s offer. And the company must clearly tell you the total fee it will charge you for its services.

### Companies must disclose key information.

The Rule requires companies to spell out important information in their advertisements and telemarketing calls, including that:

- They’re not associated with the government, and their services have not been approved by the government or your lender;
- Your lender may not agree to change your loan;
- If a company tells you to stop paying your mortgage, it also has to warn you that doing so could result in your losing your home and damaging your credit.
- Companies can’t tell you to stop talking to your lender. You should always feel free to contact your lender directly to see whether they can offer you additional options. Companies that tell you otherwise are breaking the law.

If a company doesn’t follow these rules, it could be trying to scam you.

## GETTING HELP FROM A LAWYER

Some lawyers may offer to help you get a loan modification or other mortgage relief. Under the

MARS Rule, lawyers can require you to pay an upfront fee, but only if:

- They’re licensed to practice law in the state where you live or your house is located;
- They’re providing you with real legal services;
- They’re complying with state ethics requirements for attorneys; and
- They place the money in a client trust account, withdraw fees only as they complete actual legal services, and notify you of each withdrawal.

Unfortunately, some people advertising mortgage assistance relief services falsely claim to be getting you help from lawyers. So before you hire someone who claims to be an attorney or claims to work with attorneys, do your homework:

- Get the name of each attorney who’ll be helping you, the state or states where the attorney is licensed, and the attorney’s license number in each state. Your state has a licensing organization – or “bar” – that monitors attorney conduct. Call your state bar or check its website to see if an attorney you’re thinking of hiring has gotten into trouble. The National Organization of Bar Counsel has links to your state bar: [www.nobc.org/Bar\\_Associations\\_and\\_Disciplinary\\_Authorities.aspx](http://www.nobc.org/Bar_Associations_and_Disciplinary_Authorities.aspx)
- Ask relatives, friends, and others you trust for the name of an attorney with a proven record of getting help for homeowners facing foreclosure.
- Beware of attorneys who make bold promises or try to pressure you into hiring them.

## WARNING SIGNS

If you’re looking for a loan modification or other help to save your home, avoid any business that:

- guarantees to get you a loan modification or stop the foreclosure process – no matter what your circumstances;
- tells you not to contact your lender, lawyer, or housing counselor;

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- claims that all or most of its customers get loan modifications or mortgage relief;
- asks for an upfront fee before providing you with any services (unless it's a lawyer you've checked out thoroughly);
- accepts payment only by cashier's check or wire transfer;
- encourages you to lease your home so you can buy it back over time;
- tells you to make your mortgage payments directly to it, rather than your lender;
- tells you to transfer your property deed or title to it;
- offers to buy your house for cash for much lower than the selling price of similar houses in your neighborhood; or
- pressures you to sign papers you haven't had a chance to read thoroughly or that you don't understand.

### WHERE TO FIND LEGITIMATE HELP

If you're having trouble paying your mortgage or have gotten a foreclosure notice, contact your lender immediately. You may be able to negotiate a new repayment schedule.

Other foreclosure prevention options, including reinstatement and forbearance, are explained in *Mortgage Payments Sending You Reeling? Here's What to Do*, a publication from the FTC. Find it at [ftc.gov/yourhome](http://ftc.gov/yourhome).

You also may contact a credit counselor through the Homeownership Preservation Foundation (HPF),

a nonprofit organization that operates the national 24/7 toll-free hotline (1.888.995.HOPE) with free, bilingual, personalized assistance to help at-risk homeowners avoid foreclosure. HPF is a member of the HOPE NOW Alliance of mortgage servicers, mortgage market participants and counselors. More information about HOPE NOW is at [hopenow.com](http://hopenow.com).

### Report Fraud

If you think you've been the victim of foreclosure fraud, contact the Federal Trade Commission, [ftc.gov](http://ftc.gov), or your state Attorney General's office, [naag.org](http://naag.org) or the Better Business Bureau, [bbb.org](http://bbb.org).

### For More Information

To learn more about mortgages and other credit-related issues, visit [ftc.gov/credit](http://ftc.gov/credit) and [MyMoney.gov](http://MyMoney.gov), the U.S. government's portal to financial education.

The FTC works to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or get free information on consumer issues, visit [ftc.gov](http://ftc.gov) or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. Watch a new video, *How to File a Complaint*, at [ftc.gov/video](http://ftc.gov/video) to learn more. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

*Federal Trade Commission  
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