



## Scam artists target foreclosures

### Homeowners cautioned about promises for 'bailouts'

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By Tony Pugh, McClatchy Newspapers

WASHINGTON -- As risky mortgage loans fuel a rise in foreclosures, scam artists are targeting struggling U.S. homeowners, promising a quick bailout but ultimately stripping the properties of their value or owning the homes outright.

So-called "foreclosure rescue" and equity-skimming scams have been around for years, but they've proliferated over the last five years as the U.S. housing boom took off, experts said. The market cool-down hasn't hurt business, either. Tens of thousands of homeowners with shaky credit are reeling after interest on their subprime adjustable-rate mortgages increased, requiring higher payments. Many are turning to foreclosures, giving con artists an even larger audience.

More than 1.6 million foreclosures are expected to be filed this year, up 33 percent from 2006, according to RealtyTrac, an Internet listing of foreclosed properties.

As the white-hot foreclosure environment and the property-tax season converge, state officials urge cash-strapped property owners -- particularly the elderly, immigrants, minorities and low-income -- to be wary of mailings, phone calls and visitors offering to help "save your home" and "avoid foreclosure."

"These offers of help and money may seem like a godsend, but it is the con artist who ultimately benefits," New Jersey Attorney General Stuart Rabner said. "Homeowners facing the loss of their homes are understandably concerned, and con artists seize on their fears to perpetrate scams."

Some of the worst offenders are found on billboards and roadside signs that proclaim, "we buy houses," "cash for houses" and "refinance your home."

"I personally take down those signs every day," said William Kostrzewski, an assistant state attorney in Miami-Dade County, Fla., who prosecutes foreclosure scams and other economic crimes. "If there's no sign, there's no victim, there's no investigation, there's no money lost and there's no prosecution. I like it that way."

Mr. Kostrzewski said many scam artists learned their techniques, in part, from real estate seminars such as those advertised on late-night television. Participants are taught to peruse county records to find properties that face foreclosure for nonpayment of mortgages or taxes. Real estate agents or loan originators then approach the owners of properties that are worth more than the outstanding debts, offering to help them avoid foreclosure.

Typically, the homeowners are referred to investors who offer to pay the back taxes or delinquent mortgages, buy the properties and lease them to the original owners for a year or so until they're financially sound. At that time, the new owners promise, the properties will be sold back to the original owners. But the contracts are full of provisions, hidden penalties and other stipulations that make it nearly impossible for the owners to regain their properties.

When they try, they usually find that their equity has been depleted, leaving them with no collateral to get refinanced loans to repurchase the homes. The contracts often call for a lump-sum payment of the mortgage balance. When the original homeowners can't make those payments, they're evicted and the properties are sold, providing a handsome profit for the new owners, who paid only a small fraction of the homes' market values.

In recent weeks, Mr. Rabner and Massachusetts Attorney General Martha Coakley have warned consumers to be on the lookout.

Last month, the Illinois Attorney General's Office sued three Chicago companies -- Eyes Have Not Seen Inc., Creative Financial Solutions and Mutual Trust Funding -- claiming that they fraudulently took from \$28,000 to \$85,000 from each of 13 homeowners who faced foreclosure.

The suit claims that the companies offered to assist with mortgage payments before persuading the owners to transfer title. They took out new mortgages on the homes and used the money to pay off the old mortgages, walking away with the original homeowners' equity. They then didn't pay the new mortgages and the homes fell back into foreclosure, the suit charges.

The companies haven't yet responded to the suit, according to the Cook County court clerk's office. None of the firms has a current business listing in Chicago or the surrounding area. Three individuals named in the case -- Charles T. White Jr., Darius K. Monroe and Debra Gray -- couldn't be reached for comment.

The Washington State Attorney General's Office just settled a suit against three businesses that claimed to save the homes of people who were facing foreclosure for unpaid property taxes. The companies -- Fiscal Dynamics Inc. and Cumulative LLC, of Tacoma, and Northwest Assets of Seattle -- allegedly broke promises to pay the back taxes and instead tried to sell the houses at auction and keep the owners' rightful proceeds, according to the complaint.

The state claims that the firms inundated homeowners with paperwork, including some documents that gave the companies power of attorney and others that allowed them to keep excess proceeds from the auction sales. Company officials admitted no wrongdoing but agreed to pay a total of \$290,000 in restitution to possibly more than 100 homeowners, state officials said.

The settlement consent decree said company officials had denied the allegations and had agreed to the settlement to "avoid costly and protracted litigation."

Richard Hagar, a Seattle real estate appraiser who trains law enforcement, banking and mortgage professionals to spot foreclosure scams, said the problem would worsen before it improved. An estimated 2.2 million homeowners with sub-prime loans could face

foreclosure over the next five years, according to The Center for American Progress, a research organization in Washington.

"I believe you are going to see an absolute skyrocketing of these scams over the next three years. My guess is a tenfold increase," Mr. Hagar said.

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