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## **MADIGAN HOLDS COMMUNITY ROUNDTABLE ON PREDATORY LENDING IN SPRINGFIELD**

### ***CALLS ON GOVERNOR TO SIGN MORTGAGE RESCUE FRAUD PREVENTION ACT***

Springfield – Attorney General Lisa Madigan and consumer fraud experts from her office today conducted a Community Roundtable on Predatory Lending to discuss predatory lending issues with central Illinois ministers and community leaders.

At the roundtable, Madigan stressed the importance of the Mortgage Rescue Fraud Prevention Act. The bill, which she proposed, passed the House and Senate during the last legislative session and currently is awaiting the Governor’s signature.

“Mortgage rescue fraud has become a new favorite of predatory lending scam artists,” Madigan said. “I urge the Governor to sign this legislation so people who want to save their homes have a fighting chance. Without the protections afforded by the Mortgage Rescue Fraud Prevention Act, homeowners are vulnerable to the greediest of predators who take their money and strip the equity in their homes.”

The Community Roundtable on Predatory Lending, held today in Springfield, provided an opportunity for local ministers and community leaders to learn more information about a range of predatory lending issues, including automobile financing, negotiating and refinancing mortgages, mortgage rescue fraud and payday loans.

In addition, roundtable participants had the opportunity to report back to Madigan’s office about the problems affecting their communities and to learn about services available through the Office of the Attorney General’s Consumer Protection Division to help combat that fraud.

In her opening remarks, Madigan stressed the importance of the Mortgage Rescue Fraud Prevention Act, Senate Bill 2349, which she proposed to provide numerous protections for homeowners.

In general, mortgage “rescuers” arrive on the scene when homeowners fall behind on mortgage payments or are on the verge of losing their homes. The rescuers usually promise to buy the house for a year, collect rent from the

homeowner and provide the homeowner with the option to buy back the house in a year after they have “improved” their credit. In fact, these mortgage fraud companies obtain the title to the home, sometimes take out a new mortgage that exceeds what was owed on the old mortgage without the homeowner’s knowledge and pay the homeowners a paltry sum for the home – often much less than the equity they had in their homes. In cases handled by Madigan’s Consumer Protection Division, homeowners have lost as much as \$35,000 to \$70,000 of equity in their homes to these mortgage fraud schemes.

The mortgage rescuers use tactics such as: telling consumers they will buy them time to help them catch up on their payments; telling consumers that they will help them obtain financing at the end of the lease period to help them repurchase their properties; inducing consumers to enter into lease agreements when the rescuers know the consumers will not be able to afford the monthly payments, which usually are much higher than the consumers’ old mortgage payments; inducing consumers to enter into options to repurchase their homes when the rescuers know the consumers will not be able to afford a new, higher mortgage; inducing consumers to transfer the titles to their homes, without the consumers’ full knowledge of the nature of the transaction; and instructing homeowners to sign blank and incomplete paperwork, which prevents them from fully understanding the terms of the transaction.

The mortgage rescue bill would require that: (1) rescuers provide homeowners with a written contract that lays out all the terms of the sale and makes it clear that the home is actually being sold; (2) the homeowner has the right to cancel the contract for five business days after it is executed by all parties; (3) prior to sale of the property, the purchaser must make a determination that the homeowner has the ability to make rental payments and buy the house back; and (4) the purchaser must pay the homeowner at least 82 percent of the fair market value of the home if the homeowner is unable to buy back the home.

In addition, the Mortgage Rescue Fraud Prevention Act targets “distressed property consultants” who offer phantom help to homeowners, usually promising to “buy them time” or “save the home” by negotiating with the homeowners’ creditors. In exchange for upfront fees, the consultants do nothing and abandon the homeowner to a fate that might have been prevented with legitimate professional intervention.

The legislation was sponsored by State Sen. Jacqueline Collins in the Senate and State Rep. Marlow Colvin in the House.

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