



March 5, 2009

## **MORTGAGE, CONSUMER DEBT TOP 2008 COMPLAINTS TO ATTORNEY GENERAL'S OFFICE**

### ***Mortgage Foreclosure Complaints Nearly Triple; Credit Debt Complaints Reflect Tough Economy***

Chicago—The effects of the deepening home foreclosure crisis and economic downturn dominated Attorney General Lisa Madigan's Top 10 Consumer Complaints for 2008. Joined by consumer advocates in recognition of "National Consumer Protection Week," the Attorney General today reported that 33,345 consumers filed complaints with her Consumer Protection Division last year. The consumer debt category, which includes mortgage foreclosure complaints, and identify theft ranked as the number one and two problems facing Illinois consumers.

"The growing number of consumers seeking help in dealing with debt, including their home mortgages, reflects the tough economic realities confronting Illinois families," Madigan said. "Now more than ever, Illinois consumers need to know that they can turn to my office for help if they're struggling, whether they are facing foreclosure, being harassed by abusive collection agencies, or feeling the pressure of overwhelming credit card debt."

Madigan was joined by Federal Trade Commission's Chicago Regional Director Steve Baker, Steve Bernas, President and CEO of the Better Business Bureau of Chicago and Northern Illinois, Tom Brady, Inspector in Charge for the U.S. Postal Inspection Service's Chicago Division, Sophia Lopez, Supervisor of the Consumer Fraud Unit for the Cook County State's Attorney's Office, and Norma Reyes, Commissioner of the City of Chicago's Department of Business Affairs and Consumer Protection. The theme for the 2009 National Consumer Protection Week is "Nuts and Bolts: Tools for Today's Economy," focusing on the resources available for consumers to make informed decisions in today's marketplace.

#### **Consumer Debt Complaints Top List**

In Madigan's office, complaints in the consumer debt category grew nearly 28 percent since 2007, reflecting the intensifying struggles people in Illinois are facing due to the economy. Complaints in this top category cover a wide range of consumer debt issues, such as residential mortgages, credit card debt, actions by collection agencies and installment loan debt. Specifically, the highest reported debt-related complaints involved:

#### Mortgage Foreclosure

In 2008, more than 2,400 homeowners filed residential mortgage foreclosure complaints. That number nearly tripled from the previous year. That is no surprise because, over the last two years, foreclosure filings in Illinois have skyrocketed 126 percent. Madigan has made helping homeowners stay in their homes a top priority. In October 2008, the Attorney General brokered a ground-breaking \$8.7 billion settlement in her predatory lending lawsuit against Countrywide, the nation's largest mortgage lender, that established the country's first mandatory loan modification program. As a result of this settlement, thousands of Countrywide borrowers in Illinois, and hundreds of thousands nationwide, have been able to modify their loans and remain in their homes.

During the first wave of the foreclosure crisis, the majority of the complaints the Attorney General's office received came from homeowners who had been placed in home loans that they couldn't afford in the first place. As the foreclosure crisis enters a second wave, Madigan said her office is receiving increasing calls from homeowners who can no longer make their mortgage payments because they've lost their job or experienced a reduction in income.

Another sign of the troubled times is the increase in complaints against mortgage rescue companies that prey on homeowners who are desperate to save their homes. In the most common form of the scam, these so-called rescue businesses charge homeowners a large up-front "consulting" fee to negotiate a loan modification with the lender, but actually do little or nothing to save the home, except waste the homeowners' money and time.

"Homeowners facing foreclosure should be extremely wary of 'consultants' who contact them promising to save their home," Madigan said. "These so-called rescue companies are most often just scam artists who are preying on desperate homeowners struggling to avoid foreclosure. I urge consumers to avoid 'rescue' offers and, instead, reach out to trusted sources for help."

#### Collection Agencies

In 2008, the debt category also included more than 2,000 complaints about collection agencies. Typical allegations include agencies that start collection attempts without verifying that the consumer actually owed the debt, attempting to collect a debt from the wrong person and instances of abusive collection practices, such as agencies making calls to a consumer's work place or using threatening language when talking to consumers.

#### Credit Card Companies

More than 1,000 consumers sought help from Madigan's office for problems with their credit cards. Increasing numbers of consumers called to complain that their credit card companies added unexpected fees and charges to their monthly statements and suddenly increased the interest rate on their cards. Other consumers complained that the credit card companies suddenly reduced their credit limits. Madigan said that consumers can dispute the changes to their credit agreements directly with the credit card company or call her Consumer Fraud Bureau for assistance in disputing charges.

#### **Identity Theft Category Ranks Second**

Calls for help to deal with identity theft remained high on the annual list of consumer complaints. The economic recession is likely a factor in the steady flow of identity theft complaints in 2008, placing this category of complaints second in the number of consumers seeking assistance from the Attorney General's office last year. Madigan's office received 5,667 identity theft-related complaints in 2008. A significant number of the complaints involve the following identity theft scenarios:

1. **Credit cards (1,784 complaints)**, including reports of the takeover of an existing credit card account by a thief and also instances of a thief opening a new credit card account in the name of an ID theft victim;
2. **Utility company complaints (592)**, concerning fraudulent wireless or landline phone, Internet, gas, electric and water accounts opened in the ID theft victim's name; and
3. **Bank fraud complaints (437)**, including complaints regarding stolen checks, new bank accounts opened in an ID theft victim's name, and fraudulent withdrawals of money from victims' bank accounts.

Consumers brought most of these complaints to Madigan's office by contacting her **Identity Theft Hotline** (1-866-999-5630). Trained advocates and attorneys staff the hotline, working with consumers one-on-one to help them take the steps necessary to report the crime to local law enforcement and financial institutions, repair their credit and prevent future problems.

#### **The Top 10 consumer complaints for 2008 are as follows:**

CATEGORY	# OF COMPLAINTS
1. <b>Consumer Debt</b> (mortgage lending, collections, credit cards)	<b>6,732</b>
2. <b>Identity Theft</b> (credit cards, utilities, bank fraud)	<b>5,667</b>
3. <b>Construction Home Improvement</b> (remodeling, roofs/gutters)	<b>2,722</b>
4. <b>Telecommunications</b> (wireless service, local phone service, cable/satellite)	<b>2,529</b>
5. <b>Promotions and Schemes</b> (sweepstakes, pyramid, work-at-home schemes)	<b>2,123</b>
6. <b>Motor Vehicles/Used Auto Sales</b> (as-is sales, financing, warranty)	<b>1,514</b>

7. <b>Mail Order</b> (Internet purchases, catalog ordering, television/radio)	<b>1,480</b>
8. <b>Utilities</b> (natural gas, electric, water/sewer)	<b>1,197</b>
9. <b>Fraud Against Business</b> (consulting, directories/publications)	<b>907</b>
10 <b>Motor Vehicle/Non-Warranty Repair</b> (collision/body, engines, tune ups)	<b>688</b>

For information on all consumer issues, consumers can visit Madigan's Web site at [www.illinoisattorneygeneral.gov](http://www.illinoisattorneygeneral.gov) or call one of the Consumer Fraud Hotlines or the Identity Theft Hotline at the numbers listed below.

**Chicago Consumer Fraud Hotline:** 1-800-386-5438

**Springfield Consumer Fraud Hotline:** 1-800-243-0618

**Carbondale Consumer Fraud Hotline:** 1-800-243-0607

**Spanish Language Hotline:** 1-866-310-8398

**Identity Theft Hotline:** 1-866-999-5630

**Attorney General's Homeowner Helpline:**

1-866-544-7151 (Voice/TTY) 312-814-5094

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