



Mortgage Rescue Fraud

Home foreclosure is every homeowner's worst nightmare. One result of the poor economy is that many people are having a hard time making mortgage payments, and the number of foreclosures is growing. Unfortunately, there are people looking to take advantage of homeowners forced into foreclosure.

Because of the rise in home prices, many people in foreclosure still have significant equity in their home. Equity is the difference between what you owe on the home and the amount you can get from selling the home. For example, a homeowner with a house worth \$150,000 who owes \$80,000 on a first mortgage and \$20,000 on a home equity line has about \$50,000 in equity—which is the \$150,000 home value minus the \$100,000 in loans.

Foreclosed homeowners with equity need to watch out for scam artists who try to take all the equity from the homeowner. This is known as "equity stripping." The scam works in a variety of ways, but it usually starts when someone promises the homeowners that he or she will solve all their problems and keep them in their home. The scammer promises loan money that never appears, or has the homeowners sign a lot of complicated papers. The end result often is that the homeowners end up owing more per month than before the foreclosure and are quickly forced out of the house. In most cases, the homeowners receive little or nothing for their home equity.

Homeowners in foreclosure who still have equity in their home usually have two options: (1) sell the home and take cash for the equity; or (2) get new financing to solve the foreclosure. The best choice will depend on each homeowner's circumstances. Some things that will be important to consider are the following: the amount of equity in the home; the homeowner's income, other debts, and credit history; the type of mortgage loans or other claims against the house; and the homeowner's age and other housing options.

If you or someone you know is in foreclosure or behind in mortgage payments and facing possible foreclosure, take the following actions:

- **Call a reputable mortgage foreclosure counselor.** There are many non-profit and government agencies who can help advise homeowners in foreclosure or behind in loan payments. In most cases, the help is free or provided at an affordable cost. For a list of reputable mortgage foreclosure counselors in Illinois, take a look at "Predatory Home Loans: A Guide to Prevention and Rescue Resources," available on our Web site at www.IllinoisAttorneyGeneral.gov under consumer publications.
- **Don't wait!** Homeowners in foreclosure may feel ashamed and overwhelmed. That's understandable. But don't let it stop you from asking for help as soon as possible. The longer you wait to get help, the harder it can be to find good solutions.
- **Be careful.** Scam artists often seem like white knights to distressed homeowners in foreclosure. They promise to "keep you in your home," assure you they will take care of everything, and tell you not to worry. Don't rely on spoken promises. Ask for everything in writing. When you get it on paper, take it to an attorney, loan counselor, or someone you trust to look it over and make sure the deal is what you were promised.

If you think you are a victim of equity stripping, please contact our office.

Office of the Illinois Attorney General

Chicago
1-800-386-5438
TTY: 1-800-964-3013

Springfield
1-800-243-0618
TTY: 1-877-844-5461

Carbondale
1-800-243-0607
TTY: 1-877-675-9339

Please visit www.IllinoisAttorneyGeneral.gov