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Troubled homeowners fall prey to "rescue" scams



By Nick Carey

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Among the byproducts of the U.S. housing crisis is a surge in scams that cheat people out of their money, their homes, or both, under the guise of offering to rescue them from foreclosure.

"There is a lot of money to be made if you are good at committing fraud," said Debra Zimmerman, an attorney at Los Angeles-based Bet Tzedek Legal Services, which provides free legal assistance to stricken home owners. "Foreclosure rescue scams are big business right now."

Groups like Zimmerman's say that as soon as borrowers end up in foreclosure -- a matter of public record in the United States -- they are bombarded with calls, leaflets and knocks on the door from people armed with fraudulent offers of help.

Huston Julian, 54, of Eastpointe, Michigan, nearly fell for such a scam. Julian bought a home in this working class suburb of Detroit in October 2006, but fell behind with his \$1,084 monthly payment when his disability benefits were cut off. He ended up in foreclosure in December.

"I got calls all day from people saying they could save my home," said Julian, 54, seated at a small table in his kitchen.

One group promised help if he gave them \$3,800. He borrowed money from family and was all ready to pay, until his suspicions were aroused by the frequency of their calls.

"I said to myself 'something just ain't right here,'" Julian remembered. On the advice of his younger sister, he got in touch with local non-profit counseling agency the Michigan Neighborhood Partnership (MNP).

"I was able to convince Huston not to send the money and explained to him this was a rescue scam," said Juanita Bryant, a loss mitigation specialist at MNP who is negotiating with Julian's lender on a mortgage repayment schedule based on his restored disability benefits.

While such scams are on the rise, law enforcement agencies are overwhelmed.

"Almost every foreclosure rescue program you see out there is fraud," said Todd Lackner, a San Diego-based mortgage fraud investigator. "Sadly, the law enforcement community lacks the funds to investigate or prosecute all the cases."

Nonprofit groups say they, too, are vastly outgunned.

"The challenge we face is we lack the resources to compete with groups going door-to-door targeting home owners," said Josh Zinner, co-director of New York-based nonprofit NEDAP.

SMOOTH OPERATORS

As well as extorting money with promises of help that never materialize, other rescue scams include tricking borrowers into signing over part or all of their property. Often, the owners think they are signing a refinancing when they are actually signing a deed of transfer.

"In many cases people sign blank documents that are then doctored by adding text and a notary stamp to make them look like genuine contracts," said Pegah Kamrava of Bet Tzedek.

Kamrava is representing Teresa Martinez, 60, who said she was tricked out of her home by four men when she fell behind on her mortgage.

"They seemed like such decent young men so I trusted them," she said. "Now I feel stupid because they stole my home."

Martinez said she did not knowingly sign a transfer document, and paid \$2,000 a month to the men, thinking she was still making her mortgage payments.

Randy Cornejo, listed as the owner of the home in court papers, said he bought the home from Martinez a year ago and rented it back to her. "I am the owner, and because she stopped paying rent we want to evict her," he told Reuters by telephone.

Bet Tzedek's Zimmerman said rescue scams prey on borrowers' fear and desperation when they end up in foreclosure.

"Property ownership is an integral part of the American dream," she said. "When home owners face losing that dream and someone says they can help, they jump at the chance."

The U.S. Department of Housing and Urban Development (HUD) has a list of certified counseling groups on its Web site (<http://www.hud.gov>) and experts say homeowners should accept help only from certified groups.

"If a group is not HUD certified, home owners should avoid it," said Ozell Brooklin of Acorn Housing in Atlanta. "The cash people hand over to crooks is money that could help them get a loan modification from their lender and save their home."

Rescue scam statistics are scarce. The U.S. Federal Bureau of Investigation includes rescue scams in overall fraud data. This year, the FBI says it expects 60,000 Suspicious Activity Reports related to mortgage fraud, up from 47,000 in 2007 and just 7,000 in 2003. The agency periodically announces it has filed charges in high-profile rescue fraud cases involving millions of dollars and hundreds of homes.

"We've had reports of rescue scams from almost every field office," said FBI spokesman Stephen Kodak. "This shows the ingenuity of criminals who can adapt to any economic environment."

The FBI has 150 agents devoted to mortgage fraud and has formed task forces with local law enforcement agencies in 32 U.S. states to help track rescue scams, he said.

But some officials argue more funding and public support are needed.

"Law enforcement agencies were already overworked and overwhelmed before this problem arose," said David Fleck, deputy district attorney for Los Angeles county. "The public at large sees violent crime as a greater threat than white collar crime, so rescue scams receive less attention."

"But fraud is just theft," Fleck said, "only instead of a gun you use a lie."

(Reporting by Nick Carey; Editing by Eddie Evans)

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