

Press Releases

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OTS 09-020 - OTS Issues Alert on Avoiding Foreclosure Rescue Scams

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Washington, D.C. — The Office of Thrift Supervision (OTS) issued a consumer alert today that advises distressed homeowners on how to avoid becoming victims of foreclosure rescue scams.

The alert, updated from an OTS Community Liaison newsletter article, is entitled "Foreclosure Rescue Scams: How to Avoid Becoming a Victim." It notes that such cases of fraud are increasing as the nation's foreclosure rate rises. The scams target homeowners with substantial equity in their homes and often prey on the elderly, or people with low-incomes or blemished credit.

"At the OTS, we are concerned about fraudsters victimizing consumers who are desperate to save their homes," said OTS Acting Director John E. Bowman. "We want to raise public awareness about this problem and offer guidance to distressed homeowners on how to save their homes without falling prey to unscrupulous opportunists."

Perpetrators of the fraud typically promise to help homeowners who are in financial straits but instead charge exorbitant fees for services with little or no value, strip equity out of victims' homes, or take ownership of the homes outright.

Three types of schemes are common:

- Phantom help – The purported rescuer charges high fees for no work or for services that the homeowner could have easily handled or obtained free from legitimate organizations.
- Bailout – A homeowner surrenders the title to the home after receiving a false promise that the he or she can remain as a renter and buy back the home later. The scam artist obtains possession of the home and most or all of its equity.
- Bait and switch – Victims are told they can refinance their homes but instead sign documents transferring the titles to scam artists, while the victims remain responsible for making the mortgage payments.

Businesses that perpetrate these scams often refer to themselves as "foreclosure consultants" or "foreclosure rescue specialists." They use high-pressure sales tactics and distribute cards or flyers with messages such as "Stop foreclosure with just one phone call," or "I'd like to buy your house."

Homeowners in danger of foreclosure should work with their lenders to avoid foreclosure, consult a counselor approved by the U.S. Department of Housing and Urban Development (www.hud.gov), or seek advice from a government-sanctioned program, such as HOPE NOW (www.hopenow.com).

The full alert is available on the OTS website at: www.ots.treas.gov/?p=ConsumerBrochures.

Related Files

- **Foreclosure Rescue Scams: How to Avoid Becoming a Victim -**
<http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2009-20a.pdf>