



Long Island Housing Services, Inc.

640 Johnson Ave. Suite 8
Bohemia, NY 11716

(631) 567-5111
info@lifairhousing.org

A 501(c)(3), not-for-profit, Fair Housing agency serving Long Islanders since 1969

Guide to Foreclosure Rescue Scams

How to identify foreclosure rescue scams, and how to report a scam to the appropriate authorities.

How to Identify and Avoid Foreclosure Rescue Scams

Avoid any business or individual who engages in any of the following practices:

- **Guarantees** a loan modification or principal reduction.
- Instructs you **not to contact your lender**.
- Asks for an **upfront fee** for getting you a loan modification.
- Advises you to **transfer your property deed or title to them** for any reason.
- Tells you to **make your mortgage payments directly to them**, rather than your lender.
- **Pressures you to sign paperwork** you haven't had a chance to read or don't understand.

As a homeowner, avoid doing any of the following:

- **Never pay fees for loan modification help.** There are well-trained, professional, not-for-profit housing counselors who can help you negotiate with your lender for free. This is one case where "you get what you pay for" is not true!
- Never submit mortgage payments to anyone **other than your lender** without your lender's approval.
- Never listen to someone who says you have to make **payments in cash or through a service like Western Union**.
- **Don't trust a company or individual just because they say they are a lawyer**, or because they have attorneys on staff. Always do your research!

How to Report a Scam to the Appropriate Authorities

Do you suspect you have already been a victim of a scam? You're not alone. If you have lost money to a company or individual who engages in the practices listed above, you can take action by reporting the scam.

First, gather your information:

- Save any correspondences between you and the scammer. This includes **emails, texts, and letters**.
- Gather any **advertisements**, business cards, or solicitations you received from the scammer.
- Gather any **contracts** or other documents signed by you and/or the lender.

- Important: gather any **proof of payments** that you made to the scammer. These could be receipts, copies of checks, bank account statements, etc.
- Gather the **names and information** about any individuals you worked with who were affiliated with the scammer.

Write a letter to the scammer and send it by certified mail:

- **Write a letter** to the scammer describing why you believe you have been scammed. For help, check out the **examples included at the end of this guide**.
- Did the scammer break any of the laws or make any of the ethical violations commonly committed by scammers? Check the examples at the end of this guide to see some common violations in bold. You can **cite relevant violations** in your letter.
- Use this letter to **ask for a refund of your money**. Give the scammer an opportunity to resolve the issue before you make your reports.
- Give the scammer a set **period of time to respond** (10 business days is adequate). Let them know that if they do not resolve your issue by then, you will have to report them to a third party.
- Be sure to **send the letter by certified mail** and keep the receipt.
- If the scammer does not reply in the designated amount of time (or if their response is not helpful), you can move on to the **next step**.

File a complaint with the New York Office of the Attorney General:

- You can find their **complaint form** here: <https://ag.ny.gov/loan-modification-scam-online-complaint-form>.
- **Fill out the questions** as completely as possible.
- Near the end of the form, you will be asked to **write a narrative**. In the narrative, be sure to describe:
 - How long you have lived in your home and any steps you have taken to stay up-to-date with your mortgage in the past
 - How you heard about the scammer
 - How long you have been working with them
 - Any questionable practices they engaged in (e.g. charging you upfront for modifications services, not communicating with you, asking you to sign over your deed, not providing the help they promised, etc.)
 - How much money you paid them
 - How you attempted to resolve the issue (by sending the certified letter)
- Use the “attachments” section to **submit any documentation** you have of the scam. This includes:
 - Proof of payments
 - Contracts
 - Advertisements
 - A copy of the letter that you sent attempting to resolve the scam.

You can also file complaints with other agencies:

- **The Consumer Financial Protection Bureau (CFPB).** Visit <https://www.consumerfinance.gov/complaint/> or call (855) 411-2372.
- (For Nassau residents) **The Nassau County District Attorney Economic Crimes Bureau.** Call (516) 571-2149.
- (For Suffolk residents) **The Suffolk County District Attorney Economic Crimes Bureau.** Call (631) 853-5602.
- The Department of Housing and Urban Development (HUD). Call 1(800) 347-3735.
- If you believe you have been **scammed by an attorney**, there are additional resources available to you.
 - First, **verify that you have been working with a real attorney** licensed in the state of NY. You can check this here: <http://iapps.courts.state.ny.us/attorney/AttorneySearch>.
 - You can submit your complaint materials to the **Attorney Grievance Committee** for the 10th Judicial District. Contact them at:
Grievance Committee for the Tenth Judicial District
150 Motor Parkway, Suite 102
Hauppauge, NY 11788
(631) 231-3775
 - You can also submit your complaint to the **Lawyer's Fund for Client Protection**. You can visit their website here: <http://www.nylawfund.org/> or contact them at:
119 Washington Avenue
Albany, New York 12210
Phone: (800) 442-3863
(518) 434-1935
Fax: (518) 434-5641
E-mail: info@nylawfund.org

SPREAD THE WORD!

- If you know other people who have been the victim of a scam, **encourage them to file complaints as well.**
- Enforcement agencies like the Office of the Attorney General are **more likely to take action** when more people file complaints about the same companies, individuals, or scam methods.

First Sample Letter to Scammer:

DATE

Scammer Services

123 Bad Guy Lane

Hauppauge, NY 11788

Attention: **Joe Scammer**

Mr. Scammer:

I am writing this letter to inform you that I am very disappointed in the way you have conducted business with me.

When I first met you in [date], I was promised that you would be helping me save my home from foreclosure. [Describe how scammer advertised and what services they promised.]

[If the scammer gave bad or unethical advice, you can point it out here.]

[Remind the scammer what they did or did not do to negatively impact you and the status of your mortgage]

Over the course of working with you, Mr. Scammer, I have paid you [total amount paid]. I have yet to receive any help or one dollar back from you.

After doing some research on various Consumer Protection Laws, I found out as per the FTC (Federal Trade Commission) that if you are **not a licensed attorney in the State of New York to practice law** then you **CANNOT charge upfront fees for any type of mortgage related assistance** to avoid foreclosure unless you comply with certain rules and regulations.

It is my understanding that if you are offering your services to help homeowners at risk of foreclosure in applying for a loan modification or to obtain any other type of assistance, then you are considered to be a:

Distressed Property Consultant (Under NY Real Property Law 265-B – Distressed Property Consultant)

1. Definitions

(e) “Distressed property consultant” or “consultant” means an individual or corporation, partnership, limited liability company or other business entity that, directly or indirectly, solicits or undertakes employment to provide consulting services to a homeowner for compensation or promise of compensation with respect to a distressed home loan or a potential loss of the home for nonpayment of taxes.

And by acting as a “Distressed Property Consultant” you are prohibited from doing the following:

2. Prohibitions:

- (a) Performing consulting services without a written, fully executed consulting contract with a homeowner;

- (b) Charging for or accepting any payment for consulting services before the full completion of all such services, including payment to be placed in escrow pending the completion of such services;
 - (c) Taking a power of attorney from a homeowner;
 - (d) Retaining any original loan document or other original document related to the distressed home loan, the property or the potential loss of the home for nonpayment of taxes; or
 - (e) Inducing or attempting to induce a homeowner to enter a consulting contract that does not fully comply with the provisions of this article.
3. **Penalties and other provisions:**
- (a) If a court finds that a distressed property consultant has violated any provision of this section, the court may make null and void any agreement between the distressed homeowner and the distressed property consultant.
 - (b) If the distressed property consultant violates any provision of this section and the homeowner suffers damage because of the violation, the homeowner may recover actual and consequential damages and costs from the distressed property consultant in an action based on this section. If the distressed property consultant intentionally or recklessly violates any provision of this section, the court may award the homeowner treble damages, attorneys' fees and costs.
 - (c) Any provision of a consulting contract that attempts or purports to limit the liability of the distressed property consultant under this section shall be null and void. Inclusion of such a provision shall at the option of the homeowner render the consulting contract void. Any provision in a contract which attempts or purports to require arbitration of any dispute arising under this section shall be void at the option of the homeowner. Any waiver of the provisions of this section shall be void and unenforceable as contrary to public policy.
 - (d) In addition to the other remedies provided, whenever there shall be a violation of this section, application may be made by the attorney general in the name of the people of the state of New York to a court or justice having jurisdiction by a special proceeding to issue an injunction, and upon notice to the defendant of not less than five days, to enjoin and restrain the continuance of such violations; and if it shall appear to the satisfaction of the court or justice, enjoining and restraining any further violation, without requiring proof that any person has, in fact, been injured or damaged thereby.

At this point I would like to request a full refund for the amount of [total paid] for services that you have not provided to me. I look forward to your reply and to resolution of my issue within 10 days. Should you ignore my refund request, you will leave me no other choice but to seek assistance from a third party to help enforce my rights under the rules mentioned above.

Sincerely,

Second Sample Letter to Scammer (Attorneys):

DATE

Scammer Legal Services

123 Bad Lawyer Lane

Hauppauge, NY 11788

Attention: **Joe Scammer, Esq.**

Mr. Scammer:

I am writing this letter to inform you that I am very disappointed in the way you have conducted business with me.

I first began working with you in [date] after I heard about you firm through [how you heard about them]. I was promised that you would assist me with [service] in order to save my home from foreclosure. To this end, you required me to pay [amount]. During this time, you did not fulfill your promise of [services promised].

[If the scammer gave bad or unethical advice, you can point it out here.]

[Remind the scammer what they did or did not do to negatively impact you and the status of your mortgage]

Over the course of working with you, Mr. Scammer, I have paid you [total amount paid]. I have yet to receive any help or one dollar back from you.

After doing some research about the NYS Attorney Code of Conduct I found out that there are some issues with the way you have conducted business and I feel entitled to a full refund of the monies I have paid to you for services not provided.

As my attorney you have an obligation to follow these rules:

RULE 1.4 COMMUNICATION

(a) A lawyer shall:

(1) Promptly inform the client of:

- (i) Any decision or circumstance with respect to which the client's informed consent, as defined in Rule 1.0(j), is required by these Rules;**
 - (ii) Any information required by court rule or other law to be communicated to a client; and**
 - (iii) Material developments in the matter including settlement or plea offers.**
- (2) Reasonably consult with the client about the means by which the client' objectives are to be accomplished;**
- (3) Keep the client reasonably informed about the status of the matter;**

- (4) Promptly comply with a client's reasonable requests for information; and**
- (5) Consult with the client about any relevant limitation of the lawyer's.**
- (b) A lawyer shall explain a matter to the extent reasonably necessary to permit the conduct when the lawyer knows that the client expects assistance not permitted by these Rules or other law client to make informed decisions regarding the representation.**

At this point, I would like to request a full refund in the amount of [total paid] for services that you have not provided to me. I look forward to your reply and a resolution to my issue within 10 days. Should you ignore my refund request, you will leave me no other choice but to seek assistance from a third party to help enforce my rights under the rules mentioned above.

Sincerely,
