

FTC Consumer Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Division of Consumer & Business Education

Forensic Mortgage Loan Audit Scams: A New Twist on Foreclosure Rescue Fraud

Fraudulent foreclosure “rescue” professionals use half-truths and outright lies to sell services that promise relief to homeowners in distress. According to the Federal Trade Commission (FTC), the nation’s consumer protection agency, the latest foreclosure rescue scam to exploit financially strapped homeowners pitches forensic mortgage loan audits.

In exchange for an upfront fee of several hundred dollars, so-called forensic loan auditors, mortgage loan auditors, or foreclosure prevention auditors backed by forensic attorneys offer to review your mortgage loan documents to determine whether your lender complied with state and federal mortgage lending laws. The “auditors” say you can use the audit report to avoid foreclosure, accelerate the loan modification process, reduce your loan principal, or even cancel your loan.

Nothing could be further from the truth. According to the FTC and its law enforcement partners:

- there is no evidence that forensic loan audits will help you get a loan modification or any other foreclosure relief, even if they’re conducted by a licensed, legitimate and trained auditor, mortgage professional or lawyer.
- some federal laws allow you to sue your lender based on errors in your loan documents. But even if you sue and win, your lender is not required to modify your loan simply to make your payments more affordable.
- if you cancel your loan, you will have to return the borrowed money, which may result in you losing your home.

If you are in default on your mortgage or facing foreclosure, you may be targeted by a foreclosure rescue scam. The FTC wants you to know how to recognize the telltale signs and report them. If you are faced with foreclosure, the FTC says legitimate options are available to help you save your home.

Spotting a Scam

If you’re looking for foreclosure prevention help, avoid any business that:

- guarantees to stop the foreclosure process – no matter what your circumstances are
- instructs you not to contact your lender, lawyer or credit or housing counselor
- collects a fee before providing any services accepts payment only by cashier’s check or wire transfer
- encourages you to lease your home so you can buy it back over time
- recommends that you make your mortgage payments directly to it, rather than your lender
- urges you to transfer your property deed or title to it
- offers to buy your house for cash at a fixed price that is inappropriate for the housing market
- pressures you to sign papers you haven’t had a chance to read thoroughly or that you don’t understand.

Finding Legitimate Help

Housing experts say that when you're behind on your mortgage payments, maintaining communication with your lender is the most important thing you can do. Contact your lender or servicer immediately if you're having trouble paying your mortgage or you have received a foreclosure notice. You may be able to negotiate a new repayment schedule.

Call **1-888-995-HOPE** for free personalized advice from housing counseling agencies certified by the U.S. Department of Housing and Urban Development (HUD). This national hotline – open 24/7 – is operated by the Homeownership Preservation Foundation, a nonprofit member of the HOPE NOW Alliance of mortgage industry members and HUD-certified counseling agencies. For free guidance online, visit www.hopenow.com. For free information on the President's plan to help homeowners, visit www.makinghomeaffordable.gov.

To learn more about home mortgages and other credit-related issues, visit www.ftc.gov/MoneyMatters. This site offers short, practical tips, videos, and links to reliable sources on a variety of topics from credit repair, debt collection, job hunting and job scams to vehicle repossession, managing mortgage payments and avoiding foreclosure rescue scams.

Reporting Fraud

If you think you've been dealing with a foreclosure fraudster, contact:

- Federal Trade Commission – www.ftc.gov
- Your state Attorney General – www.naag.org
- Your local Better Business Bureau – www.bbb.org

The FTC works to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or get free information on consumer issues, visit ftc.gov or call toll-free, **1-877-FTC-HELP** (1-877-382-4357); TTY: 1-866-653-4261. Watch a new video, How to File a Complaint, at ftc.gov/video to learn more. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

