



State of Connecticut  
Attorney General William Tong

## Quick Tips

### *Mortgage Scam: Spanish-Speaking Homeowners Targeted*

#### *The Scam*

- **The Basics:** A nationwide scam operating from the Dominican Republic, but pretending to be based out of Chicago, was calling Spanish-speaking distressed homeowners in the United States. The caller would offer to significantly lower the homeowners' mortgage payments in return for a large upfront fee. The group collected more than \$2 million in fees without providing the promised service to most of their customers. The Federal Trade Commission successfully petitioned a U.S. district court to stop the scam and continues to investigate.
- **The Scammer's Tactics:** The scammers called Spanish-speaking homeowners with late mortgage payments or who were facing foreclosure. The caller would empathize with the distressed homeowner about the state of the economy and claim to be offering information about government mortgage assistance programs. Once the caller had established a trust relationship, the caller would offer to obtain a mortgage modification within 30 to 90 days for a one-time fee of \$995 to \$1,500.
- **What Happened to the Homeowners?** Most of the victims of this scam never received the promised mortgage modification. The homeowners that signed up for the service received paperwork in the mail requesting extensive personal and financial information. After paying the fee and completing the paperwork, most homeowners never heard from the company again. For the few homeowners that tried to follow up with the company, some were able to reach a live representative by phone. This representative would then tell the homeowner that the modification process was underway, but that several thousand dollars more in fees would have to be paid. For the few homeowners that did receive the promised service, the modification they received was something they could have obtained for free and without help.

#### *Learn the Law*

- It is against the law to make you pay up-front: Federal law prohibits mortgage assistance companies from collecting fees until a homeowner has actually received an offer of relief from the lender and accepted it. This rule is known as the Mortgage Assistance Relief Services (MARS) Rule. The Consumer Financial Protection Bureau, the Federal Trade Commission and state Attorneys General are authorized to enforce the MARS Rule.
- Know your rights:
  - You never have to pay any money until you (1) receive an offer for a loan modification or other relief from your lender **AND** (2) you accept the lender's offer.
  - The mortgage assistance company must disclose the total fee it will charge you for its services before beginning work on your mortgage.
  - The mortgage assistance company must give you documentation of the changes to your mortgage to which your lender has agreed.
  - The mortgage assistance company must disclose that it is not associated with the government.
  - No one can tell you to stop communicating with your lender. It is illegal for a mortgage assistance company to tell you otherwise.
- The federal MARS Rule permits lawyers to negotiate a loan modification or other mortgage relief. Under the rules a lawyer may require you to pay up-front, **BUT ONLY IF**:
  - They have a valid license to practice law in your state;
  - The provision of such services is part of the lawyer's practice of law;
  - They follow all state and federal ethics requirements; and,
  - The money you pay them is placed in a client trust account and withdrawals are made only when the attorney completes actual legal services. You must be notified of every withdrawal.



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- Before you hire a debt negotiator, make sure they are licensed. In Connecticut, debt negotiators must be licensed by the state Department of Banking. Debt negotiators must also follow other state laws designed to protect consumers
- Know your rights:
  - Licensed debt negotiators must provide a contract that includes a complete, detailed list of services to be performed, the costs of such services and the results to be achieved.
  - The contract must include a statement certifying that the person offering debt negotiation services has reviewed the consumer's debt and an individualized evaluation of the likelihood that the proposed services would reduce debt or debt service or, if appropriate, prevent a home from being foreclosed.
  - Consumers have a right to cancel or rescind a debt negotiator's contract within three business days of signing the contract.
  - Connecticut law also prohibits debt negotiators from charging upfront fees.

#### *File a Complaint*

- The **Consumer Financial Protection Bureau (CFPB)** protects consumers by enforcing federal consumer financial laws. You may submit a complaint to the CFPB at [www.consumerfinance.gov](http://www.consumerfinance.gov) or by calling 1-855-411-2372
- The **Federal Trade Commission (FTC)** works for the consumer to prevent fraudulent, deceptive, and unfair business practices. You can report mortgage scams to them at [www.ftc.gov](http://www.ftc.gov) or by calling 1-877-382-4357.
- The **Connecticut Department of Banking** administers a toll-free Foreclosure Hotline at 1-877-472-8313. Connecticut residents who are behind in their mortgage or are facing foreclosure on their homes can call the hotline to receive advice and guidance regarding their mortgage issues and their foreclosure case status. The hotline can also provide information on licensed and reputable housing counselors and other programs that may be of assistance. For more information, visit [www.ct.gov/dob](http://www.ct.gov/dob).

The Connecticut Department of Banking also [offers a list of licensed debt negotiators in the state as well as additional information about debt negotiators.](#) To file a complaint with the Department of Banking about a debt negotiator, visit [www.ct.gov/dob](http://www.ct.gov/dob) or call 1-800-831-7225.

- You can also file a complaint with the Office of the Attorney General by completing a complaint form at [www.ct.gov/ag](http://www.ct.gov/ag) or emailing [Attorney.General@ct.gov](mailto:Attorney.General@ct.gov). For additional information, call the Office of the Attorney General Consumer Assistance Unit at 860-808-5420.