



State of Connecticut
Attorney General William Tong

Quick Tips

Mortgage Assistance Scams

The Scam

These scams usually begin with an offer that seems too good to be true. For an up-front fee, a scam artist might promise to negotiate a deal with your lender to reduce your mortgage to a manageable level or to "audit" your mortgage to assess whether the lender complied with the law. Still other fraudsters will offer a rent-to-buy scenario where all you have to do is surrender the title to your home as part of a deal that allows you to stay in the house as a renter and buy it back later. Usually, the fraudsters will say that surrendering the title will allow them to obtain a loan with a better rate to pay off the homeowner's unmanageable mortgage. In all of these scenarios, the homeowner ends up in a worse financial situation and often loses the home.

The bottom line is you should never pay or surrender anything up-front when a company or person offers to "fix your mortgage."

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.

Resources

- 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 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 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.

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 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 or emailing Attorney.General@ct.gov. For additional information, call the Office of the Attorney General Consumer Assistance Unit at 860-808-5420.