



# Integrity Bulletin

U.S. Department of Housing and Urban Development  
Office of Inspector General

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## **Homeowners Beware: Loan Modification or Foreclosure Rescue Scams**

Every day, loan modification and foreclosure rescue scams rob vulnerable homeowners of their money and their homes. The U.S. Department of Housing and Urban Development's (HUD) Office of Inspector General (OIG) provides HUD's audit and law enforcement support, and is responsible for investigating complaints of fraud regarding mortgages that are insured through the Federal Housing Administration's (FHA) mortgage insurance programs.

In a recent case, OIG investigated John Lee Norris and Julie Tina Hatcher, who were doing business as [Reaper Investment Partners, LLC](#). They swindled 81 victims with promises to stop foreclosures on their homes and property. As part of the scheme, Reaper advised homeowners to ignore their mortgage companies and, instead, pay their monthly mortgage payments and other "fees" directly to Reaper. Instead of providing a bona fide service to homeowners, Reaper kept the mortgage payments and fees which were then used by Norris and Hatcher for personal use. Norris and Hatcher pled guilty and were sentenced to 9 years in Federal prison. Both were ordered to pay more than \$1 million in restitution.

If you are in financial distress, beware of these schemes:

### **Phony Counseling Scams**

The fraudster indicates that he or she can negotiate a deal with the lender to modify the terms of the mortgage for an upfront fee.

### **Phony Foreclosure Rescue Scams**

Some fraudsters advise homeowners to make their mortgage payments directly to the fraudster while the fraudster lies that they will negotiate with the lending mortgage company. Once the homeowner has made a few mortgage payments, the fraudster disappears with the homeowner's money having never contacted the lender.

### **Fake “Government” Modification Programs**

Some fraudsters claim to be affiliated with or approved by the government. The fraudster’s company name and Web site may be similar to those of a real government agency, but the Web site will end in .com or .net instead of .gov.

### **Forensic Loan Audit**

Advance fees for loan counseling services are prohibited, so scammers may sell their services as “forensic mortgage audits.” These audits are reviews of mortgage loan documents to determine whether the lender complied with State and Federal mortgage lending laws. The fraudster will say that the audit report can be used to avoid foreclosure, force a mortgage modification, or even cancel a loan. The fraudster typically will request an upfront fee for this service.

### **Mass Joinder Lawsuit**

The fraudster, often a lawyer, law firm, or marketing partner, will promise that he or she can force lenders to modify loans. The fraudster will try to “sell” participation in a lawsuit against the mortgage lender, claiming that the homeowner cannot participate in the lawsuit until he or she pays some type of upfront fee.

### **Rent-to-Own or Leaseback Scheme**

The homeowner surrenders the title or deed to their home as part of a deal that will let the homeowner stay in the home as a renter with the promise that the homeowner will be able to buy the home back in a few years. However, the fraudster has no intention of selling the home back and, instead, takes the monthly “rent” payments and allows the home to go into foreclosure.

### **Bankruptcy to Avoid Foreclosure**

The fraudster may promise to negotiate with your lender or get refinancing on your behalf if you pay a fee up front. Instead of contacting your lender or refinancing your loan, he pockets the fee and files a bankruptcy case in your name—sometimes without your knowledge.

- **Do Not:** Pay a fee to a company to stop a foreclosure.
- **Do Not:** Stop making payments on your mortgage without speaking directly to your lender.
- **Do Not:** Sign any document giving up title to your home to a loan modification company.
- **Do Not:** Pay for a forensic audit.
- **Do Not:** Pay to participate in a lawsuit against a lender to force a modification to your loan.
- **Do Not:** Listen to the sales pitch of rescue scheme telemarketers promising to stop foreclosure.

- **Do:** Talk directly with your lender about your situation.
- **Do:** Seek Information about HUD's loan modification programs from its National Servicing Center at (877) 622-8525 or at [HUD's WEB site](#)
- **Do:** Talk with a HUD-approved counseling agency for free (find a list of approved agencies at this [Link](#)).
- **Do:** Always use caution when discussing loan rescue plans offered by individuals other than your lender or HUD that appear too good to be true.
- **Do:** Contact HUD OIG if you feel that you were victimized regarding your FHA-insured loan.

**File a complaint on [OIG's Web site](#).**