

MORTGAGE FRAUD FACT SHEET

For Victims



NATIONAL
CRIME
PREVENTION
COUNCIL



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Introduction

Mortgage fraud is a crime that hurts homeowners, families, communities, businesses, and the economy. According to the FBI's *2010 Mortgage Fraud Report Year in Review* (August 2011), mortgage fraud schemes continue to escalate. Although new laws and protections have been enacted to address these scams, mortgage fraud schemes have been particularly resilient and have adapted to economic changes and modifications in lending practices. While total losses directly attributable to mortgage fraud are unknown, there is no doubt actual damages are significant. CoreLogic estimates reported by the FBI indicate annual losses of more than \$10 billion. In 2011 alone, the FBI received 93,508 suspicious activity reports relating to mortgage fraud, totaling more than \$3 billion in losses (www.fbi.gov).

An individual who knows or is a victim of mortgage fraud should understand what mortgage fraud entails, strategies victims should employ to protect themselves from further harm, and the

various resources available to assist victims.

What Is Mortgage Fraud?

The FBI describes mortgage fraud as the employment of “some type of material misstatement, misrepresentation, or omission relating to a real estate transaction, which is relied on by one or more parties to the transaction.” Mortgage fraud schemes are varied, but include

- Foreclosure rescue schemes
- Loan modification schemes
- Illegal property flipping
- Builder bailout/condo conversion
- Equity skimming
- Silent second
- Home equity conversion mortgage
- Commercial real estate loans
- Air loans

The perpetrators of mortgage fraud schemes include licensed/registered and non-licensed/registered mortgage brokers, lenders, appraisers, underwriters,

accountants, real estate agents, settlement attorneys, land developers, investors, builders, bank account representatives, and trust account representatives. They recruit people who can facilitate the fraudulent activity.

Mortgage fraud schemes have adapted to economic changes and modifications in lending practices. You may find yourself a victim of mortgage fraud if

- The company/person made promises that are too good to be true (e.g., you are promised a loan modification or no foreclosure).
- The company/person requires payment of fees in advance to receive services.
- The company offered a money-back guarantee or advised you as a homeowner to stop making your mortgage payments, not to contact your mortgage servicer, or to start making payments to someone other than your servicer or lender.
- The home buying process seemed slower than normal.
- You experienced bad customer service.
- You felt a lack of information during the process.

- The company/person pressured you to sign over the deed to your home or papers that you did not have a chance to read and that you expressly did not fully understand.

Protection Strategies

Despite efforts to avoid scams, many homeowners fall victim to mortgage fraud. The sad reality is that there is generally little recourse to recover money already paid. However, if you suspect that you have fallen victim to mortgage fraud, you can take action to protect yourself from further problems.

STEP 1 – Contact your mortgage servicer/lender immediately.

Only your mortgage servicer has discretion to grant a loan modification. No third party can guarantee or approve changes to your loan. You are ultimately responsible for the mortgage loan and must work with the servicer/lender to manage the impact of any fraud. It is very important that you to contact the mortgage servicer/lender and speak with someone in the Loss Mitigation Department.

STEP 2 – Speak with a HUD-approved housing counselor.

Obtain counseling services and advice from a counseling agency that has been certified by the U.S. Department of Housing and Urban Development (HUD). These services are free or provided at a nominal cost. You also can obtain assistance from federally funded groups, such as NeighborWorks America, for homeownership education and counseling. Confirm on an official government site that the agency with which you are working is approved by the U.S. government, or contact the Consumer Financial Protection Bureau to be connected to a HUD-approved housing counselor.

STEP 3 – Report the mortgage fraud to the appropriate authorities.

Victims of mortgage fraud should complain to federal authorities like the Federal Trade Commission or the Consumer Financial Protection Bureau, the state attorney general, and the local Better Business Bureau. Such complaints assist authorities in conducting investigations and prosecuting perpetrators.

Tools and Resources for Victims

To Report Scams and Make Complaints

- **Consumer Financial Protection Bureau**
WEBSITE: www.consumerfinance.gov; Online Complaint Form
PHONE: 855-411-CFPB (2372)
- **Federal Bureau of Investigation**
PHONE: 800-CALLFBI (225-5324)
ONLINE TIPS: FBI Tips and Public Leads Form
To file a complaint with the FBI, contact the nearest FBI field office. Locations are listed at www.fbi.gov/contactus.htm or <https://tips.fbi.gov/>, or for major cases you can also report information by calling the toll-free number 800-CALLFBI (225-5324).
- **Housing and Urban Development Office of the Inspector General Hotline**
PHONE: 800-347-3735
FAX: 202-708-4829
EMAIL: hotline@hudoig.gov
ADDRESS: HUD OIG Hotline (GFI), 451 7th Street, SW, Washington, DC 20410
- **Loan Modification Scam Prevention Network**
WEBSITE: www.PreventLoanScams.org; <http://complaint.preventloanscams.org> (complaint form)
PHONE: 888-995-HOPE
- **Federal Trade Commission (FTC): Complaint Assistant**
WEBSITE: www.ftccomplaintassistant.gov
WEBSITE (*Spanish*): www.ftccomplaintassistant.gov/Consumer_HomeES.htm
PHONE (*for complaints against companies, organizations, or business practices*): 877-FTC-HELP (382-4357)
PHONE (*for complaints about identity theft*): 877-ID-THEFT (438-4338)
EMAIL (*for complaints about spam or phishing*): spam@uce.gov

To Obtain General Information or Counseling

- **Consumer Financial Protection Bureau**
WEBSITE: www.consumerfinance.gov
PHONE: 855-411-CFPB (2372)
- **Financial Fraud Enforcement Task Force**
WEBSITE: www.stopfraud.gov/protect-mortgage.html
PHONE: 202-514-2000
EMAIL: ffetf@usdoj.gov
- **Federal Bureau of Investigation**
WEBSITE: www.fbi.gov/about-us/investigate/white-collar/mortgage-fraud/mortgage_fraud
PHONE: 800-CALLFBI (225-5324)
- **Federal Trade Commission**
WEBSITE: www.ftc.gov/bcp/edu/microsites/moneymatters/your-home.shtml
- **HOPE NOW Alliance Counseling Organizations**
WEBSITE: www.hopenow.com
PHONE: 888-995-HOPE (4673)
- **Making Home Affordable from the Departments of Treasury and Housing and Urban Development**
WEBSITE: www.MakingHomeAffordable.gov
PHONE: 888-995-HOPE (4673) or for hearing impaired 877-304-9709
- **Loan Modification Scam Prevention Network**
WEBSITE: www.PreventLoanScams.org
PHONE: 866-459-2162

Other Resources

- **Home Loan Learning Center by the Mortgage Bankers Association**
WEBSITE: www.homeloanlearningcenter.com
PHONE: 800-793-6222
- **Home Ownership Preservation Foundation**
WEBSITE: www.995Hope.org
PHONE: 888-995-HOPE (4673)
- **Loan Modification Scam Alert**
WEBSITE: www.loanscamalert.org
PHONE: 888-995-HOPE (4673)
- **NeighborWorks America**
WEBSITE: www.nw.org
PHONE: 202-220-2300

