

OIG Fraud Bulletin

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OFFICE of
INSPECTOR GENERAL
UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

Mortgage Loan Modification Scams

Be aware! Scammers may contact you and claim to be from your mortgage company.

Mortgage loan modification scams are schemes to take your money, often by making a false promise of saving you from foreclosure. Mortgage loan modification scammers target the most vulnerable and struggling homeowners, which are often senior citizens.

With the investigative assistance from the U.S. Department of Housing and Urban Development Office of Inspector General, the U.S. Department of Justice recently prosecuted a ring of fraudsters who solicited victims through loan modification schemes, Internal Revenue Service impersonation, and Social Security fraud.

When using a loan modification scheme, fraudsters called borrowers of Federal Housing Administration (FHA) Mortgage by posing as employees of their mortgage companies. The fraudsters offered lower mortgage rates using phony loan modifications, and sometimes threatened foreclosure if the borrower did not agree to the loan modification. Victims sent their mortgage payments to the fraudsters, believing they were paying their actual mortgage companies. Over 1,000 victims lost approximately \$3.8 million to this scheme.

What is a loan modification?

Mortgage companies can legitimately modify a loan. Unfortunately, fraudsters take advantage of this to prey on financially vulnerable homeowners. A loan modification plan permanently restructures a mortgage by changing its terms, which helps a homeowner who is having trouble paying their mortgage. Those terms include a reduction of the interest rate and/or monthly payment. Some modification plans may also extend the length of the term of the loan. You can discuss your eligibility with your mortgage servicer or contact the [U.S. Department of Housing and Urban Development \(HUD\)](https://www.hud.gov) to find a legitimate, HUD-approved housing counselor.

Red Flags - Potential signs of a loan modification scam

- **The caller asks you to pay fees upfront to modify, refinance, or reinstate your mortgage.** The Federal Trade Commission prohibits loan-modification services from collecting a fee until you have signed an agreement with your mortgage lender or servicer to modify your mortgage. If they ask for money upfront, it's a scam!
- **The caller claims to offer "government-approved" or "official government" loan modifications.** They may have an official-sounding name, with words like "Federal," "bureau," "TARP", or something else related to a Federal program, and they may even use Federal emblems or seals



on their correspondence. Contact your mortgage lender, and they can tell you whether you qualify for government programs to prevent foreclosure.

- **The caller promises to get you a loan modification.** Trustworthy counseling agencies approved by HUD will only promise to try their best to help you. If the caller makes a “guarantee,” hang up!
- **The caller uses complex terms, or fancy words.** They do this to confuse or obscure the true purpose of their call, usually to obtain information or money.
- **The caller asks you to sign over the title to your property or sign paperwork you don’t totally understand.** A legitimate counselor would never pressure you to sign a document before you have a chance to read and understand it.
- **The caller tells you to start making payments to someone other than your servicer or lender.** Never send a mortgage payment to anyone other than your mortgage lender. As soon as you have trouble making your monthly payment, contact your mortgage lender.
- **The caller uses a title like “forensic loan auditor” or “foreclosure prevention auditor.”** A phony loan auditor or foreclosure prevention auditor may tell you they can sue their lender based on errors in the loan documents. Then they’ll tell you that if they win, the lender must modify the loan to make the payments more affordable. There is no such requirement.
- **The caller tells you to stop making mortgage loan payments altogether.**
- **The caller asks you for personal or financial information.** Only give this type of information to companies that you know and trust, like your mortgage lender or a HUD-approved counseling agency.

Falling Behind on Your Mortgage

If you can’t pay your mortgage or are worried about missing a mortgage payment, call your mortgage servicer immediately. If you’re in financial crisis, initiate a call to your mortgage service provider—and if you are unsure about a caller claiming to be from your mortgage loan servicer, call the number for the mortgage servicer listed on their website.



Report Scammers

If someone contacts you with these requests or claims, you report it to the following Federal offices:

HUD Office of the Inspector General

Phone: (800) 347-3735

<https://www.hudoig.gov/hotline>

Federal Trade Commission: Report Fraud

Phone: (877) FTC-HELP / (877) 382-4357

<https://reportfraud.ftc.gov>

National Elder Fraud Hotline

(833)-FRAUD-11/(833) 372-8311

Need More Help?

HUD-Approved Housing Counselors. [HUD-approved housing counselors](#) can discuss options with you if you're having trouble paying your mortgage loan or reverse mortgage loan. This may also include forbearance or a modified payment program.

Attorneys. If you think you may have been a victim of a mortgage loan modification scam, you may also want to consult an attorney. There may be resources to assist you through your local bar association or legal aid.

State Attorney General. You can contact your state attorney general's office for more information about state protections.

Websites with More Information

- [Prevent Loan Scams | HUD.gov / U.S. Department of Housing and Urban Development \(HUD\)](#)
- [Loan Scam Tips - NeighborWorks America](#)
- [What are mortgage loan modification scams? | Consumer Financial Protection Bureau \(consumerfinance.gov\)](#)

