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Foreclosure rescue scams on the rise

States make headway, provide victims relief

Wednesday, May 30, 2007

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[Inman News](#)

Are the usual suspects returning to mortgage-related scams as a result of the subprime lending fallout? Does the practice of illegal "foreclosure rescue" operations extend even into the second-home market?

It always seems that when a large group of consumers are in trouble with their home finances, bad guys are around to help the unsuspecting homeowner dig their hole a little deeper. The latest attempt at the age-old practice of equity skimming is foreclosure rescue where scammers peruse county records to find properties that are facing foreclosure for nonpayment of mortgages or taxes.

"Foreclosure rescue scams have overtaken illegal property flipping as the most common scam; however, illegal property flipping is still a problem," said Rebecca Jacobsen, Washington state assistant attorney general.

Two months ago, the attorney general's office settled a foreclosure rescue case against three Washington-based businesses and their owners accused of taking unfair advantage of homeowners facing foreclosure. Unlike consumers who had fallen behind on their mortgages, these homeowners were targeted because they were in arrears on their property taxes.

"They (the defendants) told property owners that they would solve their foreclosure problems," said Rob McKenna, Washington state attorney general. "But often, their real intent was to let the property go to auction and take any excess proceeds from the sale -- money that would have gone to the property owner if the defendants hadn't 'helped' them."

Under the settlement reached and filed in King County Superior Court, Tacoma, Wash.-based Fiscal Dynamics Inc. and Cumulative LLC, along with Seattle-based Northwest Assets, denied the state's allegations but agreed to pay a total of \$290,000 in consumer restitution. Two individuals -- Walt Scamehorn, who owns Fiscal Dynamics and Cumulative, and E. Arliss Morgan, who owns Northwest Assets - also denied the allegations but agreed to the settlement terms.

The money will be used to provide refunds to consumers who would have received proceeds from the sales of their homes or land had the defendants not diverted the proceeds for their own use. Based on current information, more than 100 consumers may be entitled to receive restitution.

Foreclosure rescue scams have made national news the past month in Massachusetts, Colorado and New Jersey.

According to the Massachusetts Attorney General's office, the defendants in its case not only obtained the title to the homeowners' residences but also stripped most of the homes' equity through inflated mortgages, false fees for fictitious services and false certifications by closing attorneys. In certain cases, the defendants resold the homes amongst themselves, thereby extracting any remaining equity.

While some second homes in Colorado have been selling at a significant loss, rescue scams typically strike only single-property owners.

"Many times people who have second homes are more sophisticated and understand that foreclosure rescue operators are offering something too good to be true," Jacobsen said. "The typical target that we are seeing are people with no other assets who really are in a desperate situation."

Tom DiMercurio, a veteran of 37 years in the foreclosure business, agrees with Jacobsen about the second-home market.

"Some of the wealthy people in this country are looking at the \$2 million vacation house they visit two or three times a year," DiMercurio said. "Many have put them on the market and will not get out of them what they put into them, but they don't draw the rescue plans you are talking about."

"Obviously, the very rich never worry about anything, but there were instant millionaires a couple of years ago who paid cash for expensive homes who now wished they hadn't."

According to Jacobsen, consumers who think they are being scammed should not sign anything until they get the documents looked at by a neutral party. They should contact the Consumer Protection Division of the Attorney General's Office or their lender for suggestions on who would be an appropriate neutral party to review the documents.

If someone offers to bail you out, do your best to make sure they aren't simply tossing more water into your sinking boat. Law enforcement officials believe most of the people offering the help are out to help you sink.

To get even more valuable advice from Tom, visit his [Second Home Center](#).

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