



*From the desk of Attorney General Bob Cooper*



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Tennessee consumers are suffering from the national mortgage foreclosure crisis. According to the Federal Reserve in St. Louis, we could see up to 34,000 foreclosures in Tennessee this year, based on figures from late 2007.

If you are behind on your payment and facing possible foreclosure, watch out for “foreclosure rescue” or “mortgage rescue” schemes. Some homeowners start receiving phone calls, mail, and even personal visits from representatives of these businesses as soon as they miss a single payment.

Many of these offers are scams designed to defraud the homeowner of what little money he or she has left. Watch out for these types of schemes. In the lease-back or repurchase scam, the rescue firm representative convinces a borrower to sign over the deed in return for a promise that the borrower can lease back or eventually repurchase the property. Refinance fraud involves a situation in which the borrower believes the transaction is a refinance, but property ownership is actually transferred to the con artist. Other schemes involve repeated bankruptcy filings to get a temporary delay of foreclosure, but these can result in damage to the consumer’s credit without saving the home.

If someone offers you a “simple” plan to avoid foreclosure such as one of these, don’t be taken in. Don’t sign anything you don’t understand, and never sign over your deed without getting legal advice.

There are legitimate alternatives for Tennesseans who have fallen behind on mortgage payments. The Tennessee Housing Development Agency (THDA) has provided training to a network of organizations around the state that can offer free and confidential advice to homeowners in danger of foreclosure. To locate counselors in your area, call THDA (1-800-228-THDA) or go to [www.THDA.org](http://www.THDA.org) to find a list of counselors and other helpful information. If you think you will have a problem meeting your monthly payment, THDA urges you to act now--do not ignore the situation. Talk to a counselor, and contact your lender or the company where you send your payment. There is also a nationwide hotline (1-888-955-HOPE).

Recently, the General Assembly approved and Governor Bredesen signed a new law that strengthens the Tennessee Department of Financial Institutions' oversight of the mortgage industry. The new law provides the Department with the authority to screen mortgage lenders and brokers more carefully and to join a new national mortgage licensing system.

The Attorney General’s Office has recognized the potential for problems in the housing finance sector. In 2007 we obtained over \$2.8 million in restitution for more than 3,600 Tennesseans. This was the result of a joint action with other states, the Tennessee Department of Financial Institutions, and the Division of Consumer Affairs involving one of the nation’s largest sub-prime lenders, Ameriquest Mortgage Company. The lawsuit was settled by an agreement ending practices which allegedly amounted to predatory lending, primarily in the sub-prime mortgage

market. This was among the first of many legal actions around the country against mortgage lenders engaged in questionable conduct.

Unfortunately, if current estimates hold up, mortgage foreclosures have not yet peaked around the country and in Tennessee. The Office of the Attorney General will continue to coordinate with other states on this national problem. We will work closely with our state agencies and support efforts to help consumers who are facing foreclosure and may have been the victim of fraud or misconduct in mortgage lending and “foreclosure rescue” schemes.

If you believe you may be one of these homeowners, contact the Division of Consumer Affairs online at <http://www.tennessee.gov/consumer/> or by calling (615) 741-4737 or (toll-free inside Tennessee) 1-800-342-8385. Consumers who have a concern about a lending practice or a complaint about the conduct of a lending entity or individual should contact the Department of Financial Institutions at 1-800-778-4215 or [TDFI.ConsumerResources@state.tn.us](mailto:TDFI.ConsumerResources@state.tn.us).