

PREPARED STATEMENT OF
THE FEDERAL TRADE COMMISSION

on

FORECLOSURE RESCUE FRAUD

Before the

SENATE SPECIAL COMMITTEE ON AGING

Washington, D.C.

February 13, 2008

I. INTRODUCTION

Chairman Kohl, Ranking Member Smith, and Members of the Committee, I am Peggy Twohig, Associate Director of the Division of Financial Practices at the Federal Trade Commission ("FTC" or "Commission").¹ I appreciate the opportunity to appear before you today to discuss what the FTC is doing to prevent foreclosure rescue scams.

In the past year, there has been a sharp increase in delinquencies and foreclosures in the mortgage market. In 2007, there were an estimated 2.2 million foreclosure filings in the United States, a 75% increase from 2006.² (Because not every foreclosure filing results in foreclosure, the number of foreclosures was significantly lower.) Given the increase in filings, unscrupulous actors now have greater opportunities to take advantage of people facing serious financial hardship.

Foreclosure rescue scams are implemented in various forms. The core of each one, however, is a false promise that the firm will save the consumer's home. The Commission, partnering with other federal agencies and state and local governments, is working to prevent the problem of foreclosure rescue frauds through law enforcement and consumer outreach. This testimony will discuss in more detail (1) the FTC's authority in the consumer financial services industry; (2) the nature of foreclosure rescue frauds; and (3) recent activities to protect consumers from these frauds.

¹The views expressed in this statement represent the views of the Commission. My oral presentation and responses to any questions you have are my own, however, and do not necessarily reflect the views of the Commission or any particular Commissioner.

²Associated Press, *Home Foreclosure Rate Soars in 2007*, N.Y. TIMES, Jan. 29, 2008, available at <http://www.nytimes.com/aponline/us/AP-Foreclosure-Rates.html>.

II. THE COMMISSION'S LEGAL AUTHORITY AND RESPONSIBILITIES

The Commission has wide-ranging responsibilities regarding consumer financial issues.³ The FTC enforces Section 5 of the Federal Trade Commission Act ("FTC Act"), which broadly prohibits unfair or deceptive acts or practices in commerce.⁴ The Commission also enforces statutes that address specific aspects of lending practices, including the Truth in Lending Act⁵ and the Home Ownership and Equity Protection Act.⁶ Moreover, the Commission enforces a number of other consumer protection statutes that govern financial services providers, such as the Consumer Leasing Act,⁷ the Fair Debt Collection Practices Act,⁸ the Fair Credit Reporting Act,⁹ the Equal Credit Opportunity Act,¹⁰ the Credit Repair Organizations Act,¹¹ the

³The Commission's June 13, 2007 testimony before the House Committee on Financial Services described in detail the agency's activities in the financial services sector. The Commission's statement is available at <http://www.ftc.gov/os/2007/06/070613statement.pdf>.

⁴15 U.S.C. § 45(a).

⁵15 U.S.C. §§ 1601-1666j (requiring disclosures and establishing other requirements in connection with consumer credit transactions).

⁶15 U.S.C. § 1639 (providing specific protections for consumers who enter into certain high-cost refinance mortgage loans).

⁷15 U.S.C. §§ 1667-1667f (requiring disclosures, limiting balloon payments, and regulating advertising in connection with consumer lease transactions).

⁸15 U.S.C. §§ 1692-1692o (prohibiting abusive, deceptive, and unfair debt collection practices by third-party debt collectors).

⁹15 U.S.C. §§ 1681-1681x (imposing standards for consumer reporting agencies and information furnishers in connection with the credit reporting system and placing restrictions on the use of credit reporting information).

¹⁰15 U.S.C. §§ 1691-1691f (prohibiting creditor practices that discriminate on the basis of race, color, religion, national origin, sex, marital status, age [provided the applicant has the capacity to contract], receipt of public assistance, and exercise of certain legal rights).

¹¹15 U.S.C. §§ 1679-1679j (requiring disclosures and prohibiting unfair or deceptive advertising and business practices by credit repair organizations).

Telemarketing and Consumer Fraud and Abuse Prevention Act,¹² and the privacy provisions of the Gramm-Leach-Bliley Act.¹³

The Commission's authority extends to only some of the entities that provide financial goods and services to consumers. The FTC Act and the other statutes that the FTC enforces specifically exempt banks, savings and loan institutions, and federal credit unions from the agency's jurisdiction.¹⁴ The Commission, however, does have jurisdiction over nonbank financial companies, including nonbank mortgage companies, mortgage brokers, and finance companies. The FTC generally engages in law enforcement investigations but does not engage in regular examinations of entities within its jurisdiction.

The FTC protects consumers from unfair and deceptive practices at every stage of the consumer credit life cycle, from advertising and marketing of mortgages to servicing and debt collection. The Commission targets many types of entities in its enforcement work, from mortgage brokers to consumer lenders to debt "relief" companies.¹⁵ The FTC's enforcement actions have involved companies large and small in various regions of the country. In the last

¹²15 U.S.C. §§ 6101-6108 (protecting consumers from telemarketing fraud and abuse).

¹³15 U.S.C. §§ 6801-6809 (imposing requirements on financial institutions with respect to annual privacy notices, procedures for providing customers an opt-out from having certain information shared with nonaffiliated third parties, and safeguarding customers' personally identifiable information).

¹⁴*E.g.*, 15 U.S.C. § 45(a)(2).

¹⁵The Commission has prosecuted over a dozen companies that allegedly purport to offer relief from credit card and other consumer debt but misrepresent the cost or nature of the relief. *FTC v. Debt-Set*, No. 07-558 (D. Colo. 2007); *FTC v. Select Personnel Mgmt., Inc.*, No. 07-0529 (N.D. Ill. 2007); *FTC v. Dennis Connelly*, No. 06-701 (C.D. Cal. 2006); *FTC v. Express Consolidation*, No. 06-61851 (S.D. Fla. 2006); *United States v. Credit Found. of Am.*, No. 06-3654 (C.D. Cal. 2006); *FTC v. Debt Solutions, Inc.*, No. 06-0298 (W.D. Wash. 2006); *FTC v. Debt Mgmt. Found. Servs., Inc.*, No. 04-1674 (M.D. Fla. 2004); *FTC v. Integrated Credit Solutions, Inc.*, No. 06-00806 (M.D. Fla. 2006); *FTC v. National Consumer Council, Inc.*, No. 04-0474 (C.D. Cal. 2004); *FTC v. Better Budget Fin. Servs., Inc.*, No. 04-12326 (D. Mass. 2004); *FTC v. Innovative Sys. Tech., Inc., d/b/a Briggs & Baker*, No. 04-0728 (C.D. Cal. 2004); *FTC v. AmeriDebt, Inc.*, No. 03-3317 (D. Md. 2003); *FTC v. Jubilee Fin. Servs., Inc.*, No. 02-6468 (C.D. Cal. 2002).

decade, the agency has brought 21 actions against companies in the mortgage lending industry, collectively returning more than \$320 million to consumers.¹⁶ In attacking potentially deceptive marketing by mortgage lenders, the Commission recently warned over 200 mortgage brokers and lenders, and media outlets that carry their advertisements for home mortgages, that their advertising claims may violate federal law.¹⁷ The Commission has ongoing investigations of mortgage advertisers and will continue to monitor the claims made in mortgage advertising.

The FTC also fights unfair and deceptive practices in the mortgage servicing area. For example, in 2003, along with the Department of Housing and Urban Development, the Commission charged Fairbanks Capital Corp. (now called Select Portfolio Servicing, Inc.) with violating federal law in connection with mortgage servicing.¹⁸ The settlement agreement included a \$40 million redress fund for consumers, as well as strong injunctive provisions, including specific safeguards to prevent the company from foreclosing on consumers without cause.¹⁹

¹⁶*FTC v. Mortgages Para Hispanos.Com Corp.*, No. 06-00019 (E.D. Tex. 2006); *FTC v. Ranney*, No. 04-1065 (D. Colo. 2004); *FTC v. Chase Fin. Funding*, No. 04-549 (C.D. Cal. 2004); *United States v. Fairbanks Capital Corp.*, No. 03-12219 (D. Mass. 2003); *FTC v. Diamond*, No. 02-5078 (N.D. Ill. 2002); *United States v. Mercantile Mortgage Co.*, No. 02-5079 (N.D. Ill. 2002); *FTC v. Associates First Capital Corp.*, No. 01-00606 (N.D. Ga. 2001); *FTC v. First Alliance Mortgage Co.*, No. 00-964 (C.D. Cal. 2000); *United States v. Action Loan Co.*, No. 00-511 (W.D. Ky. 2000); *FTC v. NuWest, Inc.*, No. 00-1197 (W.D. Wash. 2000); *United States v. Delta Funding Corp.*, No. 00-1872 (E.D.N.Y. 2000); *FTC v. Barry Cooper Prop.*, No. 99-07782 (C.D. Cal. 1999); *FTC v. Capitol Mortgage Corp.*, No. 99-580 (D. Utah 1999); *FTC v. CLS Fin. Serv., Inc.*, No. 99-1215 (W.D. Wash. 1999); *FTC v. Granite Mortgage, LLC*, No. 99-289 (E.D. Ky. 1999); *FTC v. Interstate Res. Corp.*, No. 99-5988 (S.D.N.Y. 1999); *FTC v. LAP Fin. Serv., Inc.*, No. 99-496 (W.D. Ky. 1999); *FTC v. Wasatch Credit Corp.*, No. 99-579 (D. Utah 1999); *In re First Plus Fin. Group, Inc.*, FTC Docket No. C-3984 (2000); *In re Fleet Fin., Inc.*, FTC Docket No. C-3899 (1999); *FTC v. Capital City Mortgage Corp.*, No. 98-00237 (D.D.C. 1998).

¹⁷FTC Press Release, *FTC Warns Mortgage Advertisers and Media That Ads May Be Deceptive* (Sept. 11, 2007), available at <http://www.ftc.gov/opa/2007/09/mortsurf.shtml>.

¹⁸*United States v. Fairbanks Capital Corp.*, No. 03-12219 (D. Mass. 2003).

¹⁹*United States v. Fairbanks Capital Corp.*, No. 03-12219 (D. Mass. 2003) (Order Preliminarily Approving Stipulated Final Judgment and Order as to Fairbanks Capital Corp. and Fairbanks Capital Holding Corp., Section XII). Last year, after conducting a compliance review of the company, the

III. TYPES OF FORECLOSURE RESCUE FRAUDS

Foreclosure occurs when consumers are past due in making payments on their mortgages. When a consumer defaults on a loan, the creditor executes on the security by foreclosing on the mortgage lien.²⁰ Foreclosure usually means loss of a home and any equity that the borrower might have accrued.²¹

As noted above, foreclosure filings in 2007 increased sharply from 2006.²² December was the fifth consecutive month in which foreclosure filings topped 200,000.²³ Borrowers facing foreclosure often have few options. By the time a delinquent loan goes into the foreclosure process, borrowers typically are behind many months in payments, and the debt has grown with late fees and other charges. Because of late payments, the borrowers' credit histories have deteriorated. As a result, the consumers' ability to borrow money from other lenders to pay back past due payments is often severely curtailed, especially if they have little or no equity in their homes.²⁴ Firms engaged in foreclosure rescue schemes then step in to take advantage of the fact that borrowers fear they may lose their homes. They promise consumers a way out, typically for

Commission filed a joint motion with defendants to modify the 2003 consent order. The modified order provides substantial benefits to consumers beyond those in the original order, including additional refunds of fees paid in certain circumstances. *United States v. Fairbanks Capital Corp.*, No. 03-12219 (D. Mass. 2003) (Modified Stipulated Final Judgment and Order, entered Sept. 4, 2007).

²⁰In about half of the states, the process of foreclosure includes a public posting. Foreclosure may then proceed either by "judicial" means, which involves a court proceeding, or a "non-judicial" process, which does not involve a court proceeding, depending on the provisions of state law.

²¹Home equity is the difference between the market value of a home and the total amount of debt on the property.

²²Associated Press, *Home Foreclosure Rate Soars in 2007*, N.Y. TIMES, Jan. 29, 2008, available at <http://www.nytimes.com/aponline/us/AP-Foreclosure-Rates.html>.

²³*Id.*

²⁴If a consumer facing financial hardship and foreclosure does not have equity in his home, it often is impossible to fund the fees charged in a refinance.

a few thousand dollars.

There are many varieties of mortgage foreclosure rescue fraud. But in each case, the perpetrator makes misleading promises that consumers' homes will be saved from the pending foreclosure permanently.²⁵ Consumers, however, ultimately lose their homes and lose the money they paid to scammers.

The types of mortgage foreclosure rescue fraud are as varied as the imaginations of the perpetrators. However, there are several recurring types:

- **Title Transfer:** The fraudulent operators orchestrating the fraud may in fact take title to the homeowner's property. Two variations on this scheme are:
 - ▶ The fraudster represents that the homeowner is signing documents for a new loan to bring the mortgage current. The scam artist may forge the deed or slip the deed into a large stack of documents with extensive fine print as part of a purported loan closing. Ultimately, the fraudster ends up with a deed granting ownership of the house, even though the consumer believed he was only signing documents for a refinance loan.²⁶
 - ▶ In other situations, the firm informs the borrower that he needs to sell the home to the rescue company to remain in the home as a renter. The firm then promises the consumer that he will be able to repurchase the house over the next few years. However, rather than allow the homeowner to repurchase the property, the fraudster typically asserts ownership of the home outright and evicts the homeowner. In other instances, the terms of repurchase are so onerous that the firm knows the consumer will never be able to repurchase the house.²⁷

²⁵Prentiss Cox, *Foreclosure Equity Stripping: Legal Theories and Strategies to Attack a Growing Problem*, CLEARINGHOUSE REVIEW JOURNAL OF POVERTY LAW AND POLICY, Mar.-Apr. 2006 at 607, 608.

²⁶E.g., News Release, Missouri Office of the Attorney General, *St. Joseph Foreclosure Consultant Service Will Cease Offering Such Services Under Agreement Obtained By Nixon* (Jun. 1, 2006); Press Release, Florida Office of Financial Regulation, *CFO Gallagher Announces Multiple Arrests in Predatory Lending Scheme* (Apr. 28, 2005); see also Cox, *supra* note 25, at 607, 622-23 (describing variations on the misrepresentations used to obtain the title transfer).

²⁷E.g., Press Release, District of Columbia Office of the Attorney General, *AG Singer Sues Metropolitan Money Store, Others, Alleging They Stripped More Than \$2 Million In Equity From DC Homeowners* (Aug. 30, 2007); Press Release, Massachusetts Office of the Attorney General, *Attorney General Martha Coakley Obtains Consent Judgment Against Newburyport Man for Operating Foreclosure Rescue Schemes* (Aug. 3, 2007); Press Release, Illinois Attorney General, *Madigan: New Law Protects Vulnerable Homeowners From Mortgage "Rescue" Fraud Schemes* (Dec. 28, 2006).

- **Mortgage Negotiation:** Firms promise borrowers that, for a fee, they will “save your home from foreclosure” by negotiating with the loan servicer. This negotiation is promised to yield either a temporary decrease in the payment amount or a permanent loan modification. In the end, however, these firms charge thousands of dollars and rarely stop the foreclosure.²⁸ In some cases, the company promises a full range of options: credit counseling, debt negotiation, emergency lending – whatever the consumer needs; homeowners pay fees for each of these “solutions” in turn, even as the lender sends continued notices of default and begins the foreclosure process.

Frequently, the firms instruct the victims to have no further contact with the loan servicer, even though servicers will agree to loan workouts or modifications to avoid foreclosure in some circumstances. Most consumers report that when they try to get in touch with the mortgage foreclosure rescue company, they are unable to reach anyone to determine how the process of negotiation is going or to complain. A great number of consumers report that after a long period of reassurance from the firms, they are at last told to file for bankruptcy or grant a deed in lieu of foreclosure to the lender. The vast majority of consumers find to their shock that their houses end up being foreclosed on. Indeed, many consumers find after their homes are foreclosed upon that some scammers’ “money-back guarantees” were also fraudulent.²⁹

In all of these scenarios, consumers typically believe that the promise to “stop foreclosure” and “save your home” means a permanent solution that will allow them to keep their homes and save their equity. Yet, they still end up losing their homes.

IV. RECENT ENFORCEMENT RESPONSES

The rapid increases in mortgage delinquencies and foreclosures within the past year create a target-rich environment for rescue scam operators. The Commission is working to address the problem of foreclosure rescue frauds through law enforcement investigations and

²⁸See, e.g., STEVE TRIPOLI & ELIZABETH RENUART, NATIONAL CONSUMER LAW CENTER, DREAMS FORECLOSED: THE RAMPANT THEFT OF AMERICANS’ HOMES THROUGH FORECLOSURE “RESCUE” SCAMS (2005), at 14, 34-36 available at <http://www.consumerlaw.org/news/content/ForeclosureReportFinal.pdf>.

²⁹E.g., Press Release, Florida Office of the Attorney General, *McCollum Sues “Rescue Foreclosure” Company, Announces Legislation to Fight Mortgage-Related Fraud* (Jan. 28, 2008); Press Release, Iowa Office of the Attorney General, *Miller Offers Laws to Protect Home Buyers* (Jan. 18, 2008); Press Release, Minnesota Office of the Attorney General, *Swanson Sues Two Out-of-State Mortgage “Foreclosure Consultants” For Charging Fees But Not Delivering Promised Services* (Dec. 6, 2007); Press Release, Ohio Office of the Attorney General, *Foreclosure Rescue Scams Sweep: Attorney General Dann Files 6 Suits Against Companies For Foreclosure Rescue Scams* (Aug. 8, 2007).

consumer outreach, with a particular emphasis on providing assistance and support to state and local officials.

A. Law Enforcement Investigations

The Commission has a number of ongoing, non-public investigations of foreclosure rescue scams. The foreclosure rescue scams are widely dispersed geographically and often local in nature. Thus, the FTC – through its regional offices – is working with federal, state, and local partners to enhance its efforts. Historically, state and local law enforcement have prosecuted foreclosure rescue scam operators because these scams typically operate in a particular state, city, or even neighborhood.³⁰ Often, scam operators target specific areas with advertisements in local publications or posters, or contact distressed homeowners who are listed in public records of foreclosure filings. Indeed, a consumer group with extensive experience in mortgage lending issued a report in 2005 finding that no national companies engaged in systematic foreclosure rescue fraud operations.³¹

There have been several recent reports of a rise in foreclosure rescue scams and complaints against mortgage rescuers.³² Even states which traditionally have not seen many foreclosure rescue scams have begun to receive complaints from consumers.³³ State and local

³⁰STEVE TRIPOLI & ELIZABETH RENUART, NATIONAL CONSUMER LAW CENTER, DREAMS FORECLOSED: THE RAMPANT THEFT OF AMERICANS' HOMES THROUGH FORECLOSURE "RESCUE" SCAMS (2005), available at <http://www.consumerlaw.org/news/content/ForeclosureReportFinal.pdf>.

³¹*Id.*

³²E.g., Press Release, Iowa Office of the Attorney General, *Miller Offers Laws to Protect Home Buyers* (Jan. 18, 2008); Press Release, Illinois Attorney General, *Madigan: New Law Protects Vulnerable Homeowners From Mortgage "Rescue" Fraud Schemes* (Dec. 28, 2006); see also Better Business Bureau, Alert, *Foreclosure 'Rescue' Scams on the Rise* (Jul. 7, 2005), available at <http://www.bbb.org/alerts/article.asp?ID=593>.

³³Press Release, Iowa Office of the Attorney General, *Miller Offers Laws to Protect Home Buyers* (Jan. 18, 2008).

authorities have responded to the problem with law enforcement³⁴ and legislation.³⁵ For example, in Florida, the attorney general filed a lawsuit asserting a foreclosure rescue company defrauded at least 80 homeowners out of approximately \$1.7 million in home equity. The alleged scam operator would approach homeowners being foreclosed upon and offer to hold title to the homes for a year, refinance the loan, and provide credit repair counseling. The company allowed homeowners to remain in the home, and promised to deed the property back to homeowners after paying off the overdue loan. Instead of providing these services, however, the scam operator would strip the equity from the home by refinancing the mortgage with a larger loan based on an inflated appraisal, as well as assessing fraudulent fees and costs. Then, homes were sold to investors or “straw buyers” who leased the homes to the homeowner at inflated

³⁴E.g., Press Release, California Office of the Attorney General, *Attorney General Lockyer Wins Court Order Freezing Assets of Firm That Unlawfully Exploits Homeowners in Foreclosure* (Jul. 29, 2004); Press Release, District of Columbia Office of the Attorney General, *AG Singer Sues Metropolitan Money Store, Others, Alleging They Stripped More Than \$2 Million In Equity From DC Homeowners* (Aug. 30, 2007); Press Release, Massachusetts Office of the Attorney General, *Attorney General Martha Coakley Obtains Consent Judgment Against Newburyport Man for Operating Foreclosure Rescue Schemes* (Aug. 3, 2007); Press Release, Minnesota Office of the Attorney General, *Swanson Sues Two Out-of-State Mortgage “Foreclosure Consultants” For Charging Fees But Not Delivering Promised Services* (Dec. 6, 2007); News Release, Missouri Office of the Attorney General, *St. Joseph Foreclosure Consultant Service Will Cease Offering Such Services Under Agreement Obtained By Nixon* (Jun. 1, 2006); Press Release, Ohio Office of the Attorney General, *Foreclosure Rescue Scams Sweep: Attorney General Dann Files 6 Suits Against Companies For Foreclosure Rescue Scams* (Aug. 8, 2007); News Release, Texas Office of the Attorney General, *Attorney General Abbott Takes Legal Action Against Foreclosure Rescue Firm’s Unlawful Texas Operation* (Dec. 14, 2007); Press Release, Washington Office of the Attorney General, *Attorney General McKenna Sues, Settles With Real Estate Investors For Mortgage Foreclosure “Rescue” Violations* (Mar. 14, 2007).

³⁵A number of states have enacted legislation to address foreclosure rescue fraud with legislative action. For example, on January 1, 2007 Illinois enacted the Mortgage Rescue Fraud Act, Pub. Act 94-0822, 94th Gen. Assem. (2005-2006), and on August 30, 2007, Massachusetts banned predatory, for-profit foreclosure rescue transactions, 940 MASS. CODE REGS. 25 (2007). *See also* CAL. CIV. CODE §§ 2945.0-.11 (foreclosure consultant); CAL. CIV. CODE §§ 1695.0-.17 (home equity purchaser); GA. CODE ANN. § 10-1-393(b)(20)(A); MINN. STAT. ANN. §§ 325N.01-.18; MO. ANN. STAT. §§ 407.935 - .943. In addition, other state legislatures are currently reviewing proposed mortgage foreclosure rescue fraud legislation which would protect distressed homeowners. E.g., Arizona, S.B. 1616 (creating Mortgage Rescue Fraud Protection Act and regulating foreclosure consultants); Connecticut, H.B. 5222 (protecting homeowners from equity skimming and regulating foreclosure consultants); Hawaii, H.B. 1332, S.B. 1418 (creating a Mortgage Rescue Fraud Act), *available at* http://www.ncsl.org/standcomm/sccomfc/Foreclosures_2007.htm.

rental rates, which eventually led to eviction. Homeowners were left without a home or the equity that belonged to them.³⁶ In an Illinois case, the Cook County State's Attorney fined a company which charged consumers \$300 to \$6,670 to secure private funding for loans to save the homes of persons who were in foreclosure, but never obtained the funding.³⁷

The Commission routinely works with other federal, state, and local law enforcement officials. Because of the increasing breadth and depth of the mortgage foreclosure rescue fraud problem, the FTC is committed to expanding these cooperative efforts. As part of this effort, Commission staff members are leading or participating in various task forces that are addressing the problems of increasing foreclosures and foreclosure rescue fraud.

FTC staff are participating in task forces in seven geographic areas. Task force members in each local area share information about trends in consumer complaints and work to identify solutions. For example, the Southeast Regional Office of the FTC is working with a state attorney general's office to identify, investigate, and prosecute cases. These efforts include daily coordination on cases under investigation. In some cases, the two agencies have divided responsibility for law enforcement actions; in other cases, the two agencies are working cooperatively on particular targets. The East Central Regional Office is partnering with a local task force to implement various consumer education and outreach strategies to help consumers. The Southern California Foreclosure Fraud Task Force, in which the FTC's Western Region participates, has facilitated the coordination of prosecutions by civil and criminal authorities at various levels.

³⁶Press Release, Florida Office of the Attorney General, *McCollum Sues "Rescue Foreclosure" Company, Announces Legislation to Fight Mortgage-Related Fraud* (Jan. 28, 2008).

³⁷Press Release, Cook County State's Attorney's Office, *\$250,000 Fine Levied Against Fraudulent Foreclosure "Rescue" Business* (Apr. 18, 2006).

B. Consumer Education and Outreach

Although law enforcement cases are an essential component of the FTC's work in this area, the Commission also works to empower consumers to avoid harm by educating them about their options when facing foreclosure and other credit problems. The FTC has published more than fifty credit-related educational brochures for consumers.³⁸ Recently, in the wake of reports of rising mortgage delinquencies, the Commission published an alert with guidance on steps borrowers can take to avoid foreclosure.³⁹ The publication warns consumers that companies may say they can offer services to help consumers avoid foreclosure, but some of the firms may be scam artists that may even fraudulently induce consumers to transfer title to their homes.⁴⁰

In addition, FTC staff have participated in public meetings addressing the rise of foreclosures over the last few months in numerous cities, including Savannah, Georgia; Augusta, Georgia; Oakland, California; and Detroit, Michigan. Commission staff have used these opportunities to provide homeowners with information and resources to help them avoid foreclosure, including advice for contacting loan servicers to learn about available options and warnings to avoid mortgage foreclosure rescue scams. During these public meetings, consumers have provided valuable information to FTC staff, including information about the conduct of specific realtors, brokers, lenders, servicers, and foreclosure rescue operators.

The Commission is planning a stepped-up consumer outreach initiative on foreclosure rescue fraud. In particular, the FTC will submit a series of radio public service announcements

³⁸Topics range from abusive lending practices to secured credit cards to fair debt collection. All of the Commission's credit-related publications, many in both English and Spanish, are available online at <http://www.ftc.gov/bcp/menus/consumer/credit.shtm>.

³⁹*Mortgage Payments Sending You Reeling? Here's What to Do*, available at <http://www.ftc.gov/bcp/edu/pubs/consumer/homes/rea04.shtm>.

⁴⁰*Id.*

to stations in cities hardest hit by mortgage foreclosures, as well as publish classified advertisements for free publications. The Commission also will send information to community libraries, unions, and other organizations warning consumers about foreclosure rescue scams.

V. CONCLUSION

The Commission is committed to working with our partners to combat mortgage foreclosure rescue frauds. This work is part of the FTC's broad and vigorous law enforcement and consumer education program to protect consumers from deceptive, unfair, and otherwise illegal credit practices. The FTC will continue to seek to prevent deceptive and unfair practices in the financial marketplace.