

LOUISIANA DEPARTMENT OF JUSTICE

OFFICE OF THE ATTORNEY GENERAL
CONSUMER PROTECTION SECTION

MORTGAGE GUIDE



1.800.351.4889

CONSUMER PROTECTION HOTLINE

WWW.AGBUDDYCALDWELL.COM



**TO REPORT SUSPECTED FRAUD,
PLEASE CONTACT:**

**LOUISIANA DEPARTMENT OF JUSTICE
CONSUMER PROTECTION SECTION**

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**CONSUMER PROTECTION HOTLINE:
1.800.351.4889**

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The information contained in this booklet is general in nature. The Louisiana Department of Justice is prohibited from giving legal advice to consumers. This booklet is not intended to be a substitute for legal advice. Do not rely upon the information presented here without discussing your specific situation with a Louisiana licensed legal professional or mortgage broker.

A message from
**ATTORNEY GENERAL
JAMES D. "BUDDY" CALDWELL**



For most of us, a mortgage is the largest and most serious financial obligation that we ever make. In addition to the financial and legal issues involved, some real estate lenders may not act in your best interest. Understanding some key terms may help you avoid mortgage trouble or prevent you from losing your home.

This handy guide contains information on a variety of topics ranging from mortgages, transfers, foreclosures, abusive lending practices and fraud aimed at first time homebuyers and current homeowners experiencing mortgage issues.

If you have any questions or need further information on mortgage issues, please contact the **Consumer Protection Section** of the Louisiana Attorney General's Office at **1-800-351-4889** or visit www.agbuddycaldwell.com.

A handwritten signature in black ink, which appears to read "Buddy Caldwell". The signature is written in a cursive, flowing style.

**JAMES D. "BUDDY" CALDWELL
ATTORNEY GENERAL**

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WHAT IS A MORTGAGE

A mortgage is a loan secured by a property/house and paid in installments over a set period of time. Before deciding to take out a mortgage, become familiar with the following terms:

MORTGAGE OR DEED OF TRUST

When you sign a mortgage or deed of trust, you are giving the lender the right to take your property by foreclosure if you fail to pay your mortgage according to the agreed upon terms.

PROMISSORY NOTE

A promissory note is a legal document that you sign agreeing to pay your mortgage. Review this document very carefully. This document provides you with the details regarding your loan, including the dates for payments, the length of time for repayment, where the payments are to be sent, and the consequences of failing to pay your monthly mortgage payment.

SETTLEMENT STATEMENT(HUD-1)

A settlement statement lists all of the costs and credits associated with your home purchase or refinance transaction. In order to ensure that you are receiving the mortgage loan that you agreed to, review this document carefully.

RIGHT TO CANCEL FORM

The right to cancel form explains the rules for how and when and what may happen if you cancel the loan.

INTEREST

Interest is a financial charge for use of the lender's money.

TRUTH AND LENDING DISCLOSURE

The truth and lending disclosure document summarizes the terms and conditions of your mortgage. Your signature on this form indicates that you received this important document.

INITIAL ESCROW DISCLOSURE

The initial escrow disclosure document details the specific charges that you will pay into your escrow account each month. An escrow account is used by your lender to make payments on your behalf for real estate taxes and/or premiums for insurance that are required to protect your property. Escrow funds are collected as part of your monthly mortgage payment.

MORTGAGOR

A mortgagor is the person or borrower who takes out a mortgage and who either has or is creating an ownership interest in the property.

MORTGAGEE

A mortgagee is any lender, usually a bank or other financial institution. Lenders may also be investors who own an interest in the mortgage through a mortgage-backed security. The initial lender is known as the mortgage originator. The mortgage originator can package and sell the loan to investors. The payments from the borrower are collected by a loan servicer.

PRINCIPAL

The principal is the original, face value or amount of the loan, and does not include interest or other costs. When any portion of the principal is repaid, the principal amount will go down in size.

SHOPPING FOR A MORTGAGE

There are many different sources for mortgage loans: mortgage banks, mortgage brokers, banks, thrifts, credit unions, home builders, real estate agencies and Internet lenders.

When shopping for a home mortgage, do the following to ensure that you obtain all relevant information:

- Research current interest rates. Check the real estate section of your local newspaper, use the Internet, or call several lenders for rate information.
- Check the mortgage rates for 15 year, 20 year, and 30 year mortgages. You may be able to save money in interest charges by getting the shortest-term mortgage that you can afford.
- Contact multiple lenders so you can compare loan information. Ask for details about the same type of loan including loan amount and loan term. Be sure to get the Annual Percentage Rate, which takes into account the interest rate, points, broker fees and other credit charges expressed as a yearly rate.
- Ask whether the interest rate is fixed or adjustable. The interest rate on adjustable-rate mortgages (ARMs) can vary significantly over the life of the mortgage. An increase in the interest rate may raise payments by hundreds of dollars per month.
- If a loan has an adjustable rate, make sure that you ask when and how the rate and loan payment can change.



- Inquire into how much of a down payment is required. Some lenders require 2% of the home's purchase price as a down payment. Many lenders offer loans that require less of a down payment. In some cases, you *may* be required to purchase private mortgage insurance (PMI) to protect the lender if you fall behind on mortgage payments.
- If PMI is required, ask what the total cost of the insurance will be, how much the monthly mortgage payment be when the PMI premium is added, and how long you will be required to carry PMI.

DID YOU KNOW?

Finding a mortgage is one of the first steps involved in buying a home. The Department of Housing and Urban Development (HUD) is the nation's housing agency. They have a helpful list of 9 steps to buying a home, which includes figuring out how much you can afford, knowing your rights, shopping for a loan, making an offer, getting a home inspection, and much more.

UNDERSTANDING YOUR LOAN OPTIONS

The kind of mortgage that you choose has a big impact on your monthly payment amount, how much of a deposit will be required, the total cost of your loan over time, and the level of risk you take on. Knowing your loan options and what kind of loan is most appropriate for your situation prepares you for negotiating with lenders and receiving the best deal. A loan option includes the following three items:

MORTGAGE LOAN TERM

Your loan term is the number of years you have to repay the loan; usually 15 years, 20 years, 30 years or other specified period. This option affects your monthly principal and interest payment, your interest rate and how much interest you will pay over the life of your loan.

MORTGAGE INTEREST RATE

Your interest rate is the proportion of a loan that is charged as interest to the borrower, typically as an annual percentage of the loan outstanding. The interest rate is fixed or adjustable. This option affects whether your interest rate, monthly principal and interest payment can change and its amount, and how much interest you will pay over the life of your loan.

MORTGAGE LOAN TYPE

Mortgage loans are organized into categories based on the size of the loan and whether they are affiliated with a government program. This option affects how much you will need for a down payment, the total cost of your loan, including interest and mortgage insurance, how much you can borrow, and the price of the house you may consider.



***BEFORE YOU SIGN
ON THE DOTTED LINE...***

- Ask for an explanation of any dollar amount, term or condition of the mortgage that you do not understand.
- Ask whether any of the loan terms you were promised have changed. Remember, do not sign a loan agreement if the terms differ from what you understood them to be. A lender should never promise a specific interest rate and then increase it at closing without an explanation.
- Make sure you get a copy of any and all documents you signed. These documents contain important information about your rights and obligations under your mortgage.
- Do not initial or sign anything agreeing to purchase voluntary credit insurance unless you really want to purchase it. Credit insurance protects the loan on the chance that you cannot make your payments. Credit insurance is usually optional and you do not have to purchase it from the lender.

DID YOU KNOW?

It is against the law for a lender to deceptively include credit insurance (or other optional products) in your loan without your knowledge or permission.

COMMON TYPES OF MORTGAGES

Fixed rate and adjustable mortgages are the two main types of mortgages, but there is a wide variety of other mortgage types available to fit your mortgage needs. Below is a list of a few mortgage types that you may want to consider:

FIXED-RATE MORTGAGE

With this mortgage, the interest rate stays the same over the entire loan term. However, if interest rates fall, you may have to pay a higher interest rate.

ADJUSTABLE RATE (ARM) OR VARIABLE-RATE MORTGAGE

This mortgage usually offers a lower initial interest rate than fixed-rate mortgages. However, after the initial period, interest rates fluctuate over the life of the loan. When interest rates rise so do your loan payments.

FHA (FEDERAL HOUSING ADMINISTRATION) LOAN

This mortgage allows qualifying buyers to obtain a mortgage with a low down payment. However, the size of your loan and location may be limited.

VA (VETERANS ADMINISTRATION) LOAN

VA loans guarantee mortgages for eligible veterans, active duty personnel, and surviving spouses. This mortgage offers competitive rates and low or no down payments. However, the loan amount may be limited.

BALLOON MORTGAGE

Balloon mortgages are fixed rate loans with relatively low payments for a period of time. However, after the initial period, the entire balance of the loan is due immediately, which may be risky for some borrowers.

INTEREST ONLY

With this mortgage, the borrower pays only the interest on the loan in monthly payments for a fixed period of time. However, after an initial period, the balance of the loan is due. Borrowers may end up paying higher payments, a lump sum, or being forced to refinance.

REVERSE MORTGAGES

If you are over 62 years old and looking for money to finance a home improvement project, pay off your current mortgage, supplement your retirement income, or pay for healthcare expenses, you may consider a reverse mortgage. A reverse mortgage allows you to convert part of the equity in your home into cash without having to sell your home or pay additional monthly bills.

In a reverse mortgage, you receive money from the lender, and generally do not have to pay back the money for as long as you live in your home. The loan is repaid when you die, sell your home, or when your home is no longer your primary residence. The proceeds of a reverse mortgage generally are tax-free, and many reverse mortgages have no income restrictions. Make sure that a reverse mortgage is right for you and be sure that the loan is federally insured.

DID YOU KNOW?

With most reverse mortgages, you have at least three business days after closing to cancel your reverse mortgage without penalty. To cancel, you must notify the lender in writing by certified mail and ask for a return receipt. This will allow you to document when the lender received the documents. Keep copies of all correspondence. After you cancel, the lender has 20 days to return any money you paid for the reverse mortgage.

MORTGAGE TRANSFERS



When you obtain a mortgage, you may think that the original lender will remain your mortgagee and service your loan until you pay it off or sell your home. Unfortunately, mortgages and the right to service them are often bought and sold

multiple times. In many cases, the company that you send your payment to is not the company that owns your loan. Therefore, it is important to know who is handling your payments and if your mortgage account is properly managed.

If your loan is transferred to a new servicer, you should receive a notice from your current mortgage servicer and another notice from the new servicer.

In most cases, your current servicer must notify you at least 15 days before the effective date of the mortgage transfer, unless you received a written notice of transfer at settlement. The effective transfer date is when the first mortgage payment is due to the new servicer's address. The new mortgage servicer must notify you within 15 days after the effective date of the transfer.

DID YOU KNOW?

There is a 60-day, payment grace period after the transfer. During this time, you cannot be charged a late fee if you mistakenly send your mortgage payment to the old mortgage servicer.

The ownership and servicing rights of your mortgage may be handled by one or two companies. If ownership of your mortgage is transferred, the new owner must give you a notice which includes:

- The name, address, and telephone number of the new owner of your mortgage.
- The date the new owner takes possession of the mortgage.
- The person who is authorized to receive legal notices and can resolve issues about loan payments.
- Where the transfer of ownership is recorded.

The new owner must give you this notice within 30 days of taking possession of the mortgage. It is in addition to any notices you may get about the transfer of the servicing rights for mortgage.

The mortgage servicer is also required to give you free annual statements detailing the activity of your escrow account showing your account balance and reflecting all payments for your property taxes, homeowners insurance, and other escrowed items.

DID YOU KNOW?

A payoff statement is a document that details the amount needed to pay a loan in full. Mortgage servicers must give you this statement if you ask for it. Your servicer must provide the statement within a reasonable time, generally five (5) business days, after receiving your payoff statement request.

MORTGAGE PAYMENTS

The mortgage servicer must credit your mortgage payments to your account the day payment is received. Borrowers have reported that late fees were charged, even when their payments were sent on time. To help protect yourself, keep detailed records of when and what you have paid, including billing statements, canceled checks or bank account statements.



If you have a payment dispute, continue to make your mortgage payments, and notify your mortgage servicer in writing. Keep a copy of your letter and related documents for your records. Send your correspondence by certified mail to the address specified by the mortgage servicer and request a return receipt. Be sure to follow any instructions the servicer has provided and confirm the fax number or email address before sending your letter. Keep copies of all transmittal confirmations, receipt acknowledgments and email replies.

FEES

Review your billing statements carefully to ensure that all fees the servicer charges are legitimate, including fees that may have been authorized by you or your mortgage agreement. If you do not understand any fees or charges, send a written inquiry asking for an itemization and explanation of each fee. Remember, if you call your mortgage servicer to ask for fax copies of loan documents, make sure you ask whether there is a fee for the service.

FORCED-PLACED INSURANCE

It is very important to maintain any required property insurance on your home. If insurance is not maintained, your mortgage servicer can purchase insurance on your behalf. This type of policy is known as force-placed insurance, which usually costs more than typical insurance and provides less coverage. If there is an error or you are told that your coverage is adequate, provide a copy of your insurance policy to your servicer. Keep copies of every insurance related document you send to your mortgage servicer. Once your mortgage servicer corrects the error and removes and refunds the cost of the force placed insurance policy, make sure the servicer removes any late fees or interest you were charged for lack of coverage.

ESCROW ACCOUNT

An escrow account is a fund held by your servicer in which you deposit money for property taxes and homeowners insurance. Your escrow payment typically is part of your monthly mortgage payment and the servicer uses your escrow account to pay taxes and insurance as they become due during the year. If you do not have an escrow account, you must make payments for insurance and property taxes on your own.

If your mortgage servicer administers an escrow account for you, federal law requires the servicer to make escrow payments for taxes, insurance and any other escrowed items on time. Within 45 days of establishing an escrow account, the mortgage servicer must give you a statement that clearly itemizes the estimated taxes, insurance premiums, and other anticipated amounts to be paid over the next 12 months.

SAMPLE DISPUTE LETTER

Date:

To:

[Your mortgage servicer
Your mortgage servicer's address]

From:

[Your full name
Your street address
Your city, state, and ZIP code]

Re: Error Resolution Notice under 12 C.F.R. §1024.35

Mortgage Loan Number: [Your loan number]

I am writing to request correction of the error described below in regard to the mortgage on my property at [Your home address]. ***[Provide a full description of the error. You may adapt the sample language for some common servicing errors, provided below, or write your own description. Delete the sample language that does not apply. This is not a complete list of all possible errors.]***

Payment Errors: Your company rejected the full payment I made on [Date] in the amount of [X dollars]. [If this was not equal to your regularly scheduled payment, explain why.] Your company did not properly credit the payment that I made on [Date] in the amount of [X dollars]. This payment should have been credited to: [Tell the servicer how the payment should have been credited to principal, interest, escrow, or other charges.]

Escrow Errors: I have been notified by [Source of information, e.g., taxing authority, homeowner's insurance company] that your company failed to pay the following expenses from my escrow account: Property taxes/ Insurance premiums/ Other charges: [Be specific.] I believe that I am entitled to a refund of excess funds in my escrow account. [Include evidence or describe why you believe you are entitled to excess escrow funds.]

Fee and Payoff Errors: Your company incorrectly imposed a [Describe type of fee] on [Date] in the amount of [X dollars]. [Describe or include evidence that you have been charged this fee. Your company failed to provide an accurate mortgage payoff balance that I requested on [Date].]

If you need to contact me, I can be reached at [Include your home address, work or mobile phone, or email address.]

Sincerely,

[Your name
Co-borrower's name]

Source :Consumer Financial Protection Bureau

MORTGAGES IN DEFAULT

If you have missed one or more of your mortgage payments, your mortgage is considered in default. The servicer may tack on “default-related services” to protect the value of the property, which will be charged to your mortgage loan account. These services may include property inspections to make sure you are still living in the home and properly maintaining the property.

It is crucial that you contact your mortgage servicer immediately if you are currently struggling to meet your monthly mortgage payments or you have missed any payments. It is important that you do not ignore any correspondence from your mortgage company. While attempting to resolve issues with your account, it is vital that you keep all lines of communication open with your servicer.

If and when your mortgage servicer decides to foreclose on your property, additional costs such as attorneys fees, property title search fees, and other charges will be charged to your account. These added costs can add thousands of dollars to your loan, and make it extremely difficult for you to bring your mortgage current.

DID YOU KNOW?

With a Confession of Judgment, a borrower executes a legal document allowing for an immediate judgment to take place in the event of the borrower's default. This allows for faster foreclosure proceedings. Once the lawsuit against the borrower has been filed and the original note and certified copy of the mortgage have been provided, the foreclosure process can begin.

FORECLOSURES

In the event you have missed multiple mortgage payments, your mortgage is not only considered in default, but a foreclosure may also occur. Foreclosure is the legal process by which your mortgage lender can take possession of your home. In the state of Louisiana, mortgage lenders may only foreclosure on property by using the ordinary or executory judicial foreclosure process. The ordinary process operates as an ordinary lawsuit in Louisiana. The executory process is an accelerated process by which the lender uses a mortgage that includes an authentic act with a confession of judgment.

To foreclose on your property, your mortgage company must file a foreclosure suit in court in the parish where your property is situated. This type of suit is known as a “Suit on a Note” or “Petition for Executory Process.” The mortgage company must then obtain a writ of seizure and sale which is an order from a judge directing the civil sheriff to sell the property at public auction. Depending on whether you signed a confession of judgment, you may or may not be served with notice of the suit or a notice of seizure by the sheriff. The mortgage company may only be required to post a notice in the local newspaper. If this is done, the sale can go forward regardless of whether you knew your property was up for sheriff’s sale. The mortgage company can file suit and the sheriff’s sale can occur within 60 days.

There are several options to avoid foreclosure. Depending on your financial situation **and if your mortgage servicer agrees**, you may be eligible for a:

REPAYMENT PLAN

Under this plan, you can continue making your regular payments to the mortgage company and pay extra each month to pay back missed payments and late fees.

FORBEARANCE AGREEMENT

Under this plan, you are allowed to make reduced payments or no payments for a few months, but the total amounts of all missed payments and fees may be due at the end of the forbearance period.

LOAN MODIFICATION

Under this plan, your interest rate is reduced and your missed payments and other fees are recalculated in your loan balance, which may extend the life of your mortgage for up to 40 years.

SHORT SALE

Under this plan, you may sell your house at a price that is less than the debt you owe to the mortgage company, and the mortgage company agrees to forgive the rest of the money that you owe on your mortgage.

DEED IN LIEU OF FORECLOSURE

Under this plan, you are allowed to transfer all of your interest in the property to your mortgage company and move out of your home. In exchange, your mortgage company agrees to forgive the money that you owe on your mortgage.

DID YOU KNOW?

A deficiency judgment may be obtained when a foreclosed property is sold at a sheriff’s sale for less than the loan amount the underlying mortgage secures. This can only occur through the ordinary process or a separate lawsuit outside the executory process. In this process, the borrower still owes the lender for the difference between what the property sold for at auction and the amount of the original loan.

SERVICEMEMBERS' CIVIL RELIEF ACT



While on active duty, some servicemembers and their families may have trouble making mortgage payments for a variety of reasons, including an unexpected deployment, injury, or extension of service. The Servicemembers' Civil Relief Act (SCRA) may offer servicemembers and their families' added protections and benefits.

Under the SCRA, the amount of interest a servicemember may be charged on his or her mortgage or other debt cannot exceed six percent (6%) during periods of active service. This reduction in interest only applies while the service member is on active duty and one year thereafter. During this time, any interest above six percent (6%) that would have been charged must be forgiven. The original interest rate will apply once the servicemember is no longer on active duty. To be eligible for this relief, the debt must exist before the servicemember's activation date.

When the SCRA is applicable, mortgage lenders cannot foreclose upon or seize property for a failure to pay a mortgage while a servicemember is on active duty or within 90 days after the period of military service unless court approval is obtained. To obtain permission from the court to foreclose, the lender would have to show that the servicemember's ability to make mortgage payments was not affected by his or her active duty military service.

To request a temporary interest rate reduction under the SCRA, the servicemember must submit a written request and a copy of his or her military orders to the mortgage lender. The request may be submitted as soon as the orders are issued, but no later than 180 days after the servicemember is released from active duty.

Servicemembers who are unable to make their mortgage payments at a reduced interest rate should contact their mortgage lender to see if it offers other repayment options for military personnel. Some mortgage lenders may voluntarily allow servicemembers to stop making payments on mortgage principal during active duty service.

If you are on active duty and have questions about the SCRA or the protections it offers, contact your unit judge advocate or installation legal assistance officer. If you are the family member or dependent of an active duty servicemember and you have questions, or think you may be entitled to the protections and benefits under the SCRA, contact or visit your local military legal assistance office.

DID YOU KNOW?

The SCRA covers all active duty servicemembers, reservists, and members of the National Guard while on active duty. The protection begins on the date of entering active duty and generally ends 30 to 90 days after the date when the servicemember is discharged from active duty.

THE FTC'S MARS RULE



The Federal Trade Commission's Mortgage Assistance Relief Services (MARS) Rule makes it illegal for mortgage relief companies to charge a borrower any up-front fees for their services. Under the MARS Rule, if you agree to have a mortgage relief company assist you, you do not have to pay any fees to the company until:

- It has given you a written offer for a loan modification or other relief from your lender; and
- You accept the offer. If you decide to accept your lender's offer, the mortgage relief company must give you the documents from your lender showing the specific changes to your mortgage.

The FTC's MARS Rule also provides requirements for people who sell mortgage assistance relief services. The Rule requires these companies to clearly tell borrowers important information, including that:

- The company is not affiliated with a government agency;
- The total cost of its services;
- The borrower can stop using the company's services at any time;
- The services have not been approved by the government or your mortgage lender; and
- Your mortgage lender may not agree to change the terms of your mortgage.

- If a company tells you to stop paying your mortgage, it must advise you that doing so could result in loss of your home and damage to your credit.
- It is illegal for these companies to direct you to cut off communication with your mortgage lender. You should always feel free to contact your lender directly to see whether they can offer you additional options.

If a company does not follow these rules, it may be an attempt to scam you.

Some attorneys may offer to help you get a loan modification or other mortgage relief. Under the MARS Rule, attorneys can require you to pay an upfront fee, but only if they are:

- Licensed to practice law in the state of Louisiana or where your house is located;
- Providing you with legal services;
- Complying with Louisiana ethics requirements for attorneys; and
- Placing legal fees in a client trust account, withdrawing fees only as they complete actual legal services, and notifying you of each withdrawal.

DID YOU KNOW?

Under the Federal Trade Commission's Mortgage Assistance Relief Services (MARS) Rule, mortgage assistance relief is a service, plan, or program that represents or assists borrowers in preventing or postponing foreclosure or assists borrowers in receiving other kinds of relief, such as loan modifications, forbearance agreements, short sales, deeds-in-lieu of foreclosure, or extensions of time to cure defaults or reinstate mortgage loans.

ADDED PROTECTIONS

HOME OWNERSHIP AND EQUITY PROTECTION ACT

If a borrower is refinancing his or her mortgage or applying for a home equity installment loan, there may be added protections under the Home Ownership and Equity Protection Act (HOEPA). The HOEPA addresses deceptive and unfair practices in home equity lending, and includes additional requirements for specific loans with high rates or fees, also known as “Section 32 Mortgages”. Under the HOEPA, mortgage lenders may not make loans based on the collateral value of a property without considering the borrower’s ability to repay the mortgage as of the start of the loan. In considering the borrower’s repayment ability, the mortgage lender must review the borrower’s current and reasonably expected income, employment, assets other than the collateral, and current obligations.

DID YOU KNOW?

By law, a debt collector is a person who regularly collects debts owed to others. Your mortgage servicer is considered a debt collector only if your loan was in default when the servicer acquired it. If that’s the case, you have additional rights.

REAL ESTATE SETTLEMENT PROCEDURES ACT

The Real Estate Settlement Procedures Act (RESPA) ensures that borrowers receive certain disclosures throughout the mortgage process. RESPA addresses predatory lending practices by prohibiting fee splitting, receipt of unearned fees, and limiting the costs of settlement services. RESPA is enforced by the Department of Housing and Urban Development.

EQUAL HOUSING OPPORTUNITY ACT

The Louisiana Attorney General’s Equal Housing Opportunity Section is responsible for the administration and enforcement of the Louisiana Equal Opportunity Housing Act. The Louisiana Equal Housing Opportunity Act prohibits discrimination in housing, mortgage lending and related activities.

In mortgage lending, no one may take any of the following actions based on a person’s race, color, national origin, sex, religion, disability, or familial status:

- Refuse to make a mortgage loan.
- Refuse to provide information regarding loans.
- Impose different terms or conditions on a loan.
- Discrimination in appraising property.
- Set different terms or conditions for purchasing a loan.



FAIR HOUSING HOTLINE

The Attorney General’s Office is ready to help with any equal housing problem. If you have been denied equal housing or want more information about equal housing, please contact the **Louisiana Attorney General’s Fair Housing Hotline** at **1-800-273-5718**. Remember, the Louisiana Attorney General’s Office must remain neutral throughout the investigation and resolution process.

MORTGAGE FRAUD

Along with mortgage foreclosures, mortgage fraud has become all too common. Mortgage fraud usually involves a borrower and/or lenders falsifying information to obtain a home loan. Very often, homeowners and borrowers are unaware that they are victims or have committed mortgage fraud. Homebuyers should never sign mortgage documents that have incomplete or inaccurate information. Many homeowners report signing documents they believed would bring their mortgage current, but instead signed over the title or deed to their home. These individuals did not know they had been scammed or were no longer homeowners until they received an eviction notice.

BEWARE OF THE FOLLOWING ABUSIVE LENDING PRACTICES THAT MAY COST YOU YOUR HOME:

EQUITY STRIPPING

A lender tells you that you can get a loan even though you know your income is insufficient to make the monthly payments. The lender advises you to “pad” or over-state your income on the application. Once you can’t make your payments, the lender will foreclose on your home and strip you of the equity you have acquired.

HIDDEN LOAN TERMS

If you have fallen behind on your mortgage, you may face foreclosure. A lender may offer to refinance your mortgage and lower your monthly payments. The payments may be lower because you are only repaying the interest on your loan each month. At the end of the loan term, you must repay the entire amount you borrowed in one lump sum. If you cannot pay the entire balloon payment, you may face the loss of your home.

LOAN FLIPPING:

The lender persuades you to repeatedly refinance the loan and to borrow more money than needed. Each time you refinance, you pay additional fees and interest points, which only increases your debt.

BEWARE OF THE FOLLOWING TYPES OF MORTGAGE SCAMS:

HOME EQUITY SCAMS

Homeowners who are strapped for cash may be the target of a home equity scam. If you are in need of cash and are thinking about getting a home equity loan, be careful! The elderly, minorities, and those with low income or poor credit histories should be careful when borrowing money based on the equity in their home. Abusive lenders target these borrowers who may unknowingly risk losing their home.

REVERSE MORTGAGE SCAMS

Reverse mortgages can be useful products, but many have been associated with deceptive practices, allegations of high-pressure sales tactics, and the risk of being steered into inappropriate loans and annuities. In many cases, a scam artist will convince a senior to take out a reverse mortgage when a reverse mortgage is unsuitable or not the best option available in an attempt to steal money or the home.

BAIT AND SWITCH

In a bait-and-switch scam, con artists give you papers claiming that you need to sign them in order to get another loan to make your mortgage current. But, buried in the stack is a document that surrenders the title to your house to the scammers in exchange for a "rescue" loan.

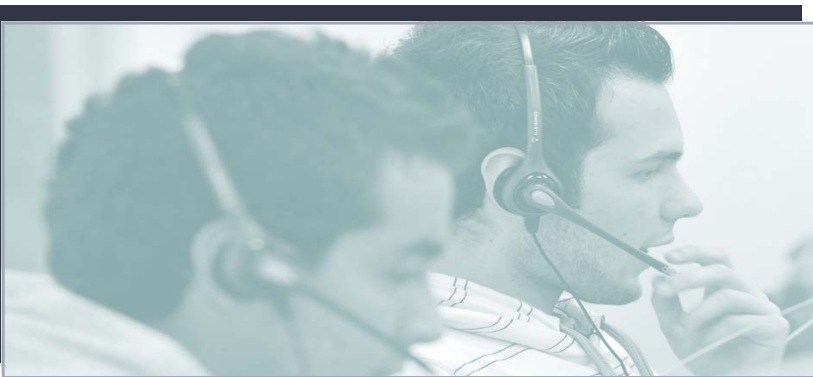


PHONY COUNSELING

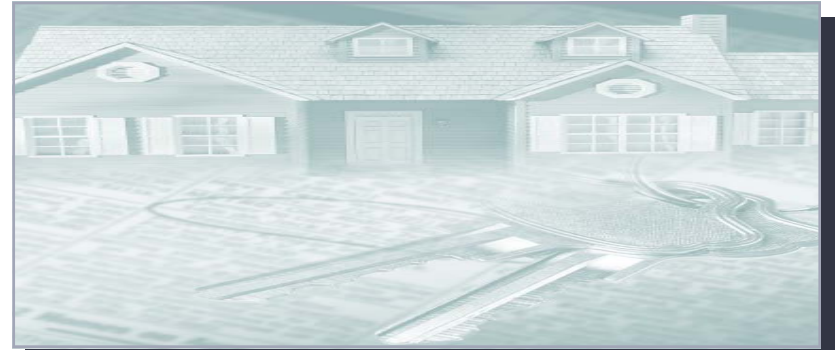
In a phony counseling scam, borrowers are told that if you pay this company a fee, they will negotiate a deal with your lender to reduce your mortgage payments. These scammers may claim to be attorneys or represent a law firm and direct you to not contact your lender, another lawyer, or a credit counselor. Often these phony counselors insist that you make your mortgage payments directly to them while they negotiate with the lender. After you agree to their services, they eventually stop returning your calls and disappear with your money.

THE FORENSIC AUDIT

In a forensic audit scam, so-called forensic loan, mortgage, or foreclosure prevention "auditors" offer to have an attorney or other expert review your mortgage documents to determine if your lender complied with the law in exchange for an upfront fee. The "auditors" claim that you can use their report to avoid foreclosure, expedite the loan modification process, reduce your loan amount, or even cancel your loan. In fact, there's no evidence that forensic loan audits will help you receive a loan modification or another type of mortgage relief.



RENT TO BUY SCHEMES



In rent to buy schemes, scammers direct you to release the title to your house in an agreement promising to allow you to continue to live in your house as a renter and giving you the opportunity to eventually buy it back at a later date. These scammers claim that by surrendering your title to them, you may be able to prevent the loss of your home by getting a new mortgage. Many rent to buy schemes make buying back your home nearly impossible. You eventually lose the house and all the money that you paid in rent. If the new owner defaults and faces foreclosure, you may end up evicted. The scam artist may increase the rent over time until you cannot afford to make your rent payments. If you miss any rent payments, the scam artists has grounds to evict you.

In other cases, a scam artist may offer to find a buyer for your home, but only if you sign over the deed to your home and move off the property. They claim that they will pay you a portion of the profit when the home is sold. Once you transfer the deed, these scammers simply rent out the home and pocket the proceeds while your lender proceeds with the foreclosure process. Remember, transferring the deed does not transfer your mortgage obligations. You are still responsible for any unpaid mortgage payments.

FORECLOSURE RESCUE SCAMS

The possibility of losing your home to foreclosure can be terrifying. The reality that scam artists are preying on desperate homeowners is equally as frightening. Homeowners who are on the brink of foreclosure may be targeted by companies claiming to be mortgage foreclosure rescue companies.

In the beginning, these companies may sound as if they are providing you with a legitimate way to get out of your financial situation. Unfortunately, these fraudulent companies do more harm than good. In the end, these rescue companies may leave consumers with no equity in their homes and losing the house that they worked so hard to get.

Many companies say they can get a change to your loan that will reduce your monthly mortgage payment or take other steps to save your home. Some may even claim that nearly all their customers get successful results. Many even offer a money back guarantee. Others say that they are affiliated with the government or your lender while others promise the help of attorneys and real estate agents. Unfortunately, many companies use half-truths and even outright lies to sell their services.

Scam artists use a variety of tactics to find homeowners in distress. Some sift through public foreclosure notices in newspapers, on the internet, or through public files at local government offices, and then send personalized letters to homeowners. Others take a broader approach through ads on the internet, television, radio, and in newspapers; posters on telephone poles, median strips, and at bus stops; or flyers, business cards, and people at your front door.



Beware of any companies advertising the following:

- Stop the foreclosure now;
- Get a loan modification;
- Over 90% of our customers get results;
- We have special relationships with banks that can speed up the approval process;
- 100% Money Back Guaranteed; and
- Keep your home Guaranteed.

DID YOU KNOW?

Your mortgage company will not speak with a housing counselor, attorney or other third party about your mortgage unless you submit a third party authorization form allowing your mortgage company to do so. A third party authorization form gives your mortgage company your consent to allow a third party to receive information about you and your mortgage. It also allows a third party to act on your behalf.

AVOIDING FRAUD

IF YOU ARE LOOKING FOR A LOAN MODIFICATION OR OTHER HELP TO SAVE YOUR HOME, AVOID ANY BUSINESS THAT:

- Guarantees to get you a loan modification or stop the foreclosure process regardless of your financial situation or circumstances;
- Advises you to cut off any and all contact with your lender, lawyer, or housing counselor;
- Claims that all or most of its customers get loan modifications or mortgage relief;
- Asks for an upfront fee before providing you with any services, unless it is a licensed attorney in the State of Louisiana;
- Accepts payment only by cashier's check or wire money transfer;
- Encourages you to lease your home so you can eventually buy it back at a later date;
- Tells you to make your mortgage payments directly to someone other than your mortgage lender;
- Tells you to transfer your property deed or title to someone else;
- Offers to buy your house for cash or for much lower than the selling price of similar houses in your neighborhood; or
- Pressures you to sign papers you have not had a chance to read thoroughly or that you do not fully understand.



- Do not agree to a home equity loan if your monthly income does not exceed the loan payments.
- Do not sign any document you have not read, do not understand, or has blank spaces.
- Contact an attorney before assigning your property to anyone.
- Keep careful records of your loan payments, including billing statements and cancelled checks.
- Consider all the costs of financing before you agree to a loan and ask questions about any part of the loan you don't understand.

DID YOU KNOW?

Only your mortgage company has the discretion to grant you a mortgage loan modification. Paying a third party to assist you with your loan modification does not improve the likelihood that you will be granted a mortgage loan modification.

MORTGAGE SETTLEMENTS

Many mortgage companies have entered into mortgage settlements with federal and state agencies. While each mortgage settlement is different, every mortgage settlement reached provides additional assistance to consumers involving more servicing standards, responsiveness and consumer relief programs.

NATIONAL MORTGAGE SETTLEMENT

In February 2012, 49 state attorneys general and the federal government announced the historic joint state-federal National Mortgage Settlement with the five largest mortgage servicers:

- Ally (formerly known as GMAC);
- Bank of America;
- Citi;
- JP Morgan Chase; and
- Wells Fargo.

Eligible borrowers who had their mortgage serviced by one of the settlement's five participating mortgage servicers, lost their home to foreclosure between January 1, 2008 and December 31, 2011, and timely submitted a valid claim form to the National Mortgage Settlement Administrator received a direct payment under the Settlement.

Borrowers who were eligible to participate in the National Mortgage Settlement in 2012 and 2013, but who did not make a claim or receive a payment may contact the National Mortgage Settlement Administrator at 1-866-430-8358 to learn more about options for submitting a claim.

OCWEN NATIONAL SERVICING SETTLEMENT

This settlement involved Ocwen and two companies purchased by Ocwen: Litton Loan Servicing LP ("Litton") and Homeward Residential Holdings, Inc. (previously known as American Home Mortgage Servicing, Inc. or AHMSI).

Consumers can contact the National Ocwen Settlement Administrator at 1-866-783-5382 to obtain more information about specific loan modification programs and eligibility under this settlement.

NATIONAL SUNTRUST SETTLEMENT

This settlement involves mortgages serviced by Suntrust Mortgage, Inc. Borrowers who believe they are eligible for the National SunTrust Settlement or need additional information may contact the National SunTrust Settlement Administrator at 1-866-590-8532.

DID YOU KNOW?

The Consumer Protection Section plays a major role in mortgage settlements. The Section assists qualifying consumers by expediting their mortgage disputes to the appropriate mortgage servicer and resolving their mortgage issues. The Section also works closely with settlement administrators to compile the necessary information from consumers to provide qualifying foreclosure victims with relief. Borrowers with questions regarding mortgage settlements may contact the Consumer Protection Hotline at 1-800-351-4889 to obtain additional information.

MORTGAGE ASSISTANCE



The National Mortgage Settlement allowed the Attorney General's office to partner with the Louisiana Bar Foundation to provide legal services and financial counseling to affected homeowners.

Contact the Consumer Protection Section of the Louisiana Attorney General's office at 1-800-351-4889 for more information on this program. If you are currently in need of housing counseling or legal assistance related to your mortgage issue, please contact the Louisiana Civil Justice Center at 1-800-310-7029 as soon as possible. Each file is reviewed by an attorney and transferred to the appropriate legal service organization or partner.

If you are currently behind on your monthly mortgage payment, or may soon experience financial trouble, call your mortgage servicer or write to your servicer's loss mitigation department immediately. Explain your situation in detail. Be prepared to provide your financial information, including your monthly income and expenses, loan documents/ type of mortgage, tax returns, and the amount of equity in your home. Without this information, your mortgage servicer may not be able to assist you promptly.

Contact the Consumer Financial Protection Bureau or the Louisiana Attorney General's Consumer Protection Section if:

- You have a dispute about how a mortgage servicer is treating you.
- You need help paying your mortgage or understanding mortgage products and services.
- You have been scammed by a foreclosure rescue operator or a debt relief organization.



For help with foreclosure or finding a housing counselor, you can:

- Speak with a housing specialist at 1-888-995-HOPE (4673);
- Contact the Department of Housing and Urban Development at 1-800-569-4287 or online at www.HUD.gov/foreclosure; or
- Visit MakingHomeAffordable.gov.

DID YOU KNOW?

If you are a military service member experiencing mortgage trouble, you or your dependents can contact Military OneSource at 1-800-342-9647 for mortgage assistance.

ADDITIONAL RESOURCES

Contact the following agencies for additional information:

Louisiana Department of Justice Consumer Protection Section

P.O. Box 94005
Baton Rouge, LA 70804-9005
(800) 351-4889
www.agbuddycaldwell.com

Louisiana Department of Justice Equal Housing Opportunity Section

P.O. Box 94005
Baton Rouge, LA 70804-9005
(800) 273-5718

Louisiana Office of Financial Institutions

P.O. Box 94095
Baton Rouge, LA 70804
(225) 925-4660
www.ofi.state.la.us

Louisiana Real Estate Commission

P.O. Box 14785
Baton Rouge, LA 70898-4785
(225) 925-1923 or (800) 821-4529 (LA only)
www.lrec.state.la.us

Military OneSource

(800) 342-9647
<http://www.militaryonesource.mil>

National Mortgage Settlement

www.nationalmortgagesettlement.com

Consumer Financial Protection Bureau

1700 G St., NW
Washington, DC 20552
(855) 411-2372
www.consumerfinance.gov

Department of Housing and Urban Development

451 7th Street, SW
Washington, DC
(800) 669-9777
www.hud.gov

Making Home Affordable

(888) 995-4673
www.makinghomeaffordable.gov

FBI Field Office, Mortgage Fraud

White Collar Crime
2901 Leon C. Simon Drive
New Orleans, LA 70126-1601
(504) 816-3000
<http://neworleans.fbi.gov/>

Federal Trade Commission

600 Pennsylvania Ave., NW
Washington, DC 20580
(877) 382-4357
www.ftc.gov

National Fair Housing Alliance

1101 Vermont Ave., NW, Suite 710
Washington, DC 20005
(202) 898-1661
www.nationalfairhousing.org

LEGAL SERVICE PROVIDERS:

Louisiana Civil Justice Center

(800) 310-7029

<http://laciviljustice.org/>

Acadiana Legal Services Corporation

(800) 256-1175

<http://www.la-law.org/>

Legal Services of North Louisiana, Inc.

(800)826-9265 (Shreveport)

(800) 259-6591 (Monroe)

(800) 960-9109 (Natchitoches)

<https://www.lsnl.org/>

Southeast Louisiana Legal Services Corporation

(800)349-0886

<http://slls.org/>

ATTORNEY REFERRAL PROGRAMS:

New Orleans Area

(504) 561-8828

Lake Charles Area

(337) 436-2914

Shreveport Area

(318) 222-3643

Baton Rouge Area

(225) 344-9926

Lafayette Area

(337) 237-4700

BETTER BUSINESS BUREAUS:

www.bbb.org

BBB of South Central Louisiana (Baton Rouge)

748 Main Street

Baton Rouge, LA 70802

(225) 346-5222

BBB of Acadiana (Acadiana)

4007 West Congress Street, Suite B

Lafayette, LA 70506

(337) 981-3497

BBB of Southwest Louisiana (Lake Charles)

2309 E. Prien Lake Road

Lake Charles, LA 70601

(337) 478-6253

BBB of Northeast Louisiana (Monroe)

1900 North 18th Street

Monroe, LA 71201

(318) 387-4600

BBB of Greater New Orleans Area (New Orleans)

3421 N. Causeway Blvd., Suite 505

Metairie, LA 70002

(504) 581-6222

BBB of Central Louisiana and the Ark-La-Tex (Shreveport)

2006 E. 70th Street

Shreveport, LA 71105

(318) 797-1330



OFFICE OF THE LOUISIANA ATTORNEY GENERAL

CONSUMER PROTECTION HOTLINE: 1.800.351.4889

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