

FTC Consumer Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Division of Consumer & Business Education

Mass Joinder Lawsuits: A New Twist on Foreclosure Rescue Scams

A new scam is targeting financially strapped homeowners across the country. So-called specialized law firms are sending invitations to homeowners, urging them to participate in “mass joinder” lawsuits against their mortgage lenders as a way to get favorable loan modifications and stop foreclosure.

The Federal Trade Commission (FTC), the nation’s consumer protection agency, cautions that the firms involved in this scam promise relief, but generally don’t deliver. In fact, many of the firms fail to use qualified attorneys or pursue homeowners’s cases, and often leave their clients in worse financial shape than before.

How the Scam Works

The firms market their services through direct mail solicitations to homeowners who are behind in their mortgages, or who are in default or foreclosure. The firms charge fees in advance that range from a few thousand dollars to more than \$10,000; they falsely lead homeowners to believe that by joining with other people in similar circumstances to sue their mortgage lender, they can stop their foreclosures, reduce their loan balances or interest rates, get them money damages, and even get them title to their homes, free and clear of their existing mortgages. Mass joinder lawsuits are not class action lawsuits. What’s the difference? In a class action, most class members don’t have to pay legal fees in advance.

Mass joinder scam artists often tout that they have an attorney on staff. But that attorney likely is not reviewing each homeowner’s file, and likely is not even licensed to practice in the homeowner’s state. In fact, a recent case filed by the FTC centered on consumers who responded to the scammers’ direct mail offers, and got legal advice from sales agents – not lawyers. The sales agents allegedly made deceptive claims about their experience and provided inaccurate legal advice about the likely results of joining the lawsuits.

Finding Legitimate Help

Even if the foreclosure process has already begun, the FTC and its law enforcement partners say that there are legitimate options you should explore to try to save your home.

Housing experts say that when you’re behind on your mortgage payments, maintaining communication with your lender is the most important thing you can do. Contact your lender or servicer immediately if you’re having trouble paying your mortgage or you’ve received a foreclosure notice. You may be able to negotiate a new repayment schedule.

If you choose to take legal action against your lender, the FTC recommends that you:

- Get the name(s) of the lawyer(s) who will represent you. Check them out with your state bar association: Are they licensed in your state? Have they been subject to any disciplinary actions? The **National Organization of Bar Counsel** has links to your state bar.

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- Ask relatives, friends, and others you trust for the name of an attorney with a proven record of getting help for homeowners facing foreclosure.
 - Ask to speak with the attorney directly.
 - Ask questions, including how many mortgage-related cases the attorney has filed and handled through trial or settlement. Get proof: Ask for copies of the pleadings and copies of any news articles about their successes.
 - Get specific information about the work the lawyer or firm will do for you, including the cost, and the payment schedule. Get this in writing.
 - Stay away from attorneys who make bold promises or who guarantee the outcome of your case. A reputable attorney doesn't guarantee results, no matter what your circumstances.
 - Maintain communication with your attorney throughout your case. Keep a file with a record of your conversations, correspondence, and paperwork.

For More Information

Call 1-888-995-HOPE for free personalized advice from housing counseling agencies certified by the U.S. Department of Housing and Urban Development (HUD). This national hotline – open 24/7 – is operated by the Homeownership Preservation Foundation, a nonprofit member of the HOPE NOW Alliance of mortgage industry members and HUD-certified counseling agencies. For free guidance online, visit hopenow.com. For free information on the President's plan to help homeowners, visit makinghomeaffordable.gov. To learn more about home mortgages and other credit-related issues, visit ftc.gov/MoneyMatters. This site offers short and practical tips, videos, and links to reliable sources on a variety of topics from managing mortgage payments and avoiding foreclosure rescue scams, credit repair, debt collection, job hunting and job scams to vehicle repossession.

To help you be smart when you choose – and use – legal representation, read the FTC publication, *Need a Lawyer? Judge for Yourself*.

Reporting Fraud

If you think you've been dealing with a foreclosure fraudster, contact the **Federal Trade Commission** and your **state Attorney General**.

The FTC works to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or get free information on consumer issues, visit ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. Watch a new video, *How to File a Complaint*, at ftc.gov/video to learn more. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.