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**Homeowners warned about foreclosure 'rescue' scams**

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**By PHUONG CAT LE**  
P-I REPORTER

Kurt Hilderbrand worked hard for a decade to make his monthly mortgage payments, but a recent failed business dealt him the final blow: He was six months behind on payments and weeks away from losing his three-bedroom house.

That's when the "foreclosure rescue specialists" began circling. They hounded him by phone. One even rapped at his front door, offering to bail him out.

Hilderbrand was so desperate to hang on to his Bellevue home that he struck a deal to sell it and lease it back -- with an option to buy later.

It didn't work out that way. The 61-year-old salesman said he was threatened with eviction and ended up owing more than had he allowed his house to be auctioned off in foreclosure.

As rising interest rates and growing consumer debt push more families into financial trouble, consumer advocates and state investigators warn that people on the brink of foreclosure are increasingly falling victim to scams aimed at squeezing them out of their homes.

"This kind of situation should be regulated and these people put out of business. It's a scam from start to finish," said Hilderbrand, who sells heating and cooling units. He is suing Estate Rescue LLC and its investors for fraud and misrepresentation.

Foreclosure-rescue scams are on the rise as "a collision of events" force more people into foreclosure, said Chuck Cross, division director of the state Department of Financial Institutions, which investigates such fraud.

Homeowners who took out mortgages they could barely afford or borrowed too much against their equity are prime targets.

"They argue that they're helping people," Cross said of the schemers, but they're deceiving them out of their homes. "It's just fraud; theft by deception." The state Attorney General's Office warns homeowners to be skeptical of people offering to help them out of foreclosure.

The scam can take many forms, but a classic one involves a lease-buyback.

The individual or company offers to pay off the struggling homeowner's mortgage. In exchange, the homeowner transfers ownership and leases the home. But the lease payments are set so high that the person can't possibly afford it.



**zoom** Gilbert W. Arias / P-I

Kurt Hilderbrand in his Bellevue home, which he was so desperate to hang on to after falling on hard times that he struck a deal to sell it and lease it back -- with an option to buy later. It didn't work out that way.

The price to buy back the home is often \$50,000 to \$100,000 more than its value, Cross said. It's only a matter of time before the former owners are evicted.

State and local prosecutors won convictions in several cases involving the foreclosure scam last year, and several more investigations are under way.

"Foreclosure is probably one of the most traumatic experiences that anyone can go through. ... They're really vulnerable to someone who comes in and says, 'I can help you,'" said David Huey, an assistant attorney general who handles consumer-protection cases.

At first, the deal seemed like a salvation to Hilderbrand, who owed \$27,000 in back mortgage payments and taxes when he faced foreclosure in April. Kirkland-based Estate Rescue and its investors covered those back payments, offered to give him \$10,000 in cash and a chance to buy back the house within a year, according to Hilderbrand's lawsuit.

The suit alleges that they set the price to buy his home at about \$80,000 more than it was valued, and charged him \$3,200 in monthly payments, despite promising him he would pay less than his original monthly \$2,800 mortgage.

He was never able to make a payment, and they started eviction proceedings. He hired an attorney and earlier this month rushed to court and temporarily won the right to stay in his house while the matter was sorted out.

Reached Wednesday, Jack Burns of Estate Rescue declined comment, citing the pending suit.

"Believe me, I want to talk about this," he said, adding that "there are people in this industry who are trying to do good and getting a bad rap."

Hilderbrand's attorney, Michele McNeill, said the company misrepresented what they do.

"They're stealing equity," she said. "They present very important legal documents right before the sale is to occur. That puts the homeowner in a position of they feel they have to sign otherwise they're going to lose everything."

Though Hilderbrand still owed money on his mortgage, he had built up at least \$60,000 in equity that he could have pocketed, McNeill said.

Jill Jensen, a Bellevue real estate agent, has helped about six people stave off foreclosure and remain in their homes.

"In my opinion, what we're doing is helping people," said Jensen. "I don't think they're scams. Nobody is ever forced to sell their homes."

A lease buy-back program where the seller understands the transaction isn't illegal, said Huey, of the AG's office. "The problem is that when you start looking at most of these transactions you find that the underlying economics ... make it so that it won't work."

If there's no practical way for the person to buy back their home, then they're misrepresenting the deal, Huey said.

Hilderbrand said he felt tremendous pressure to go through with the deal.

"I wasn't sleeping. It was hard to work. I've never gone through this before," said Hilderbrand, who now regrets not getting an attorney earlier.

"There are a lot of people letting properties go and don't realize they have equity," said David Leen, a Seattle attorney who has won lawsuits against companies running foreclosure-rescue scams.

"They're surprised that there's an eviction," he added. "They signed papers. They still think they own the house. Sometimes, they're signing over their deeds."

Rosa and Reginald Beck didn't understand that they had signed a quit-claim deed to their Federal Way property until it was too late.

"They had no intention of helping us," said Rosa Beck, who described the foreclosure-rescue process as "a nightmare." "They had every intention of taking the house. They saw what kind of equity that was in it, they made us sign forms."

The Becks signed over the quit-claim deed to their property and were told they would have the option to buy back their home. But they fell behind in payments, and were evicted last year.

"They were scamming me from the beginning," said Reginald Beck, whose family had to separate and stay with various friends when they lost their home. "They're basically feeding off of your misery."

"There's nothing illegal about people going to buy properties," said the Becks' attorney, Melissa Huelsman. "The question is, do they lie to people about what the deal is?"

David Gintz, part owner of Pierce County Residential Credit Advisors, who made the deal with the Becks, flatly denies any wrongdoing.

He said his company, which no longer exists, worked with the Becks to buy back their house, but they didn't meet their end of the deal.

"We assisted in every way possible. But short of making their payments for them, there's only so much we could do," Gintz said, adding that the couple knew that they had signed all the contracts, including the quit-claim deed.

The Becks now look back at how the situation nearly destroyed their lives and warn others to sell their homes if they face foreclosure.

"Get out of it," Rosa Beck said. "The aftermath is not worth it."

## **DON'T GET SCAMMED**

Tips from the National Consumer Law Center and Washington Attorney General's Office on how to avoid foreclosure scams:

- Proceed with extreme caution if an individual or company calls itself a "mortgage consultant," "foreclosure service" or something similar.

- Don't sign away ownership of your property (often referred to as a "quit claim deed") without first consulting a lawyer.
- Be suspicious of offers to take ownership of your home as part of a deal that allows you to lease it, then buy it back after two or three years.
- Don't make your mortgage payments to someone other than your lender.
- Don't take any information at face value. If an offer sounds too good to be true, it almost always is.
- Read everything and don't sign any papers that you don't understand.

Other options include:

- Contacting your lender or seller after you fall behind to arrange a payment plan.
- Refinancing the loan.
- Selling the house yourself before the foreclosure sale or forfeiture; paying off your loan and saving some equity.
- Filing a Chapter 13 bankruptcy petition and presenting a plan for catching up on payments.

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