

Illinois Law Protects Homeowners Who Engage the Services of Foreclosure Consultants and Rescuers

A new law went into effect in Illinois on January 1, 2007, to protect homeowners facing loss of their homes through foreclosure or because of unpaid property taxes. Homeowners confronting these financial difficulties are often targeted by scam artists seeking to steal their homes and home equity. The new law, the **Illinois Mortgage Rescue Fraud Act**, establishes certain requirements for contracts with so-called foreclosure “consultants” and “rescuers.”

Foreclosure consultants

When you are facing foreclosure, some people will approach you and say they can help you negotiate with your lender, slow down the foreclosure, improve your credit, or obtain a refinance loan for you – for a fee of hundreds or thousands of dollars. And they often want you to pay this fee up front. These are usually empty promises.

Illinois law requires that such services – if provided for a fee – must be completed before you have to pay any money to the so-called “foreclosure consultant.” Do not pay any money to anyone without understanding why you are paying the money, or before you get what you have been promised. Illinois also requires that foreclosure consultants provide you with a written contract that lists all the services the consultant promises to perform, and you have the right to cancel the contract at any time.

You should be aware that there are non-profit agencies that will help you negotiate with your lender for free. There is no reason to pay for these services.

Foreclosure rescuers

Other people or companies advertise programs through which you can sell your home and rent it back, with the promise that you can then buy your home back when you are on your feet again financially. Sometimes these programs say that your home will be placed in a trust, or that you are not transferring title to your home completely, or that this is just a type of loan.

Do not trust these promises unless you have had an attorney review the paperwork. Usually, the repurchase price is set so high that you will not be able to afford to buy your home back, or the rent payments are not affordable, and you can be evicted when you fall behind. Also, once someone else has title to your home, he can take out a new loan on your home. This is how your home equity can be stolen.

These types of “sale-leaseback” transactions are now regulated by Illinois law, and you have certain rights if you enter into one of these deals. In Illinois, the rescuer must provide you with a written contract that states that your home is being sold. You have 5 days from signing the contract to cancel it, and the rescuer cannot make you sign a deed to your home until this cancellation period has passed. Prior to the sale, the rescuer must make a determination that you have the reasonable ability to make rent payments and buy your home back. If you remain in your home under a lease agreement, you have the right to cancel the lease at any time. Ultimately, the rescuer must pay you at least 82% of the fair market value of your home if you are not able to repurchase your home.

The three most important things you should always remember are: (1) Do not sign a deed to your house without checking with a lawyer. (2) Do not sign any papers you do not understand. (3) Check with a lawyer or your mortgage company before entering into any deal involving your home. Remember if it sounds too good to be true, it probably is!