

## **Investigators: 'Foreclosure rescue' leaves some gasping for air** 📺

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By CHRIS INGALLS / KING 5 News

It's like giving your house away. That's how some people describe a controversial real estate practice that's now surfacing in Western Washington. It's so new, it's even catching authorities off guard.

Some companies are springing up in Western Washington that are targeting desperate homeowners. They promise to be your real estate agent, mortgage broker and credit counselor – all in one.

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But critics warn, if you take their help, they could take your house.

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But the single mom, who works two jobs, is feeling the crushing weight of foreclosure. Her bank might take her house.

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"It's everything to me. It's the only home that my kids have ever known. I've been in this home for 21-years. The property was in my family since before I was born, so this is everything to me," said Toni Neilsen.

So Toni was hopeful when a company called Loan Network contacted her with a unique plan to save her home.

With hidden cameras, the KING 5 Investigators watched as Loan Network's Mike Hale and a man identified as an "investor" - Gordon Smith - made their pitch.

"Their whole thing was 'we're helping you. We're going to help you'," Neilsen said later of the interview.

The men proposed buying Neilsen's house, but with a twist.

They said they would rent it back to her and help her get on better financial footing so she can buy her house back.

"Within a year, maybe two at the max, they would help me repair my credit and buy it back from them," she said.

In fact, what the men were offering is what's called a "foreclosure rescue". Experts say it's an alarming type of real estate deal that's growing in the Seattle area.

"Here in Washington and in the Puget Sound foreclosure rates are on the rise," said bankruptcy attorney Melissa Huelsman.



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Toni Neilsen is trying to maintain a normal routine inside her Issaquah home.

Huelsman represents several homeowners that she says have fallen victim.

"The commonality is that they have a lot of equity in their property," she said.

Huelsman says foreclosure rescuers scour public documents looking for desperate homeowners.

When foreclosure notices are posted, it includes the amount that's owed to the bank, let's say \$200,000.

They compare that with records from the assessor's office that list property value, let's say \$300,000.

The difference between the value of the property and the amount owed is the equity in the home - in this case - \$100,000.

Gail Manson is one client that Huelsman points to to show what can go wrong.

Her home in Edmonds, with \$100,000 in equity, fell into foreclosure.

Last year, she was contacted by a Seattle company called Godsend Security.

She sold her home to a Godsend investor for \$192,000 and then started making rent payments to stay in it.

According to her lawsuit, the money from the sale never went to Gail Manson, who was told it was being used to fix her finances.

The suit says Godsend did pay nearly \$90,000 to satisfy her mortgage and creditors.

But it also says that Gail Manson was never aware and no documents in the sale agreement said that huge fees went to Godsend.

"(The fees) really are Gail's equity that's been taken. Because that's the value in her property that's now

been taken," Huelsman said.

As a renter, Gail Manson's finances have not improved, and after missing payments eviction notices started to arrive in the mail.

"(They were) talking about evicting me and giving me cash... and I was confused and I don't like the way this is going. I'm starting all over again. I'm losing my house again," she said.

In response to Manson's lawsuit, Godsend Security denies all allegations.

Godsend declined interview requests, but in a statement, President April Lane said the company "made repeated efforts to help Gail succeed."

And in a year and a half of business, she says this is the company's first case of eviction.

Authorities have filed charges in some cases. In a Pierce County courtroom, Melvin Hughes got a two-year prison sentence in a foreclosure swindle.

But he forged documents and stole money.

Not all rescue schemes are as blatant.

"I don't understand how you can say it's not a good deal if it keeps the individual out of foreclosure! When you go into foreclosure you lose the house," said Smith says now.

Smith insists that the offer he pitched, the one that the KING 5 Investigators taped with a hidden camera, would have worked for Toni Neilsen, though it appears her monthly payments would not have gone down.

In the case Smith proposed, the seller will pay the buyer's monthly mortgage payment, their taxes, their insurance and the seller's monthly lease payment as well, a substantial amount of money.

Gordon said Neilsen would be able to afford it because she is able to make that kind of payment now, but "she is in a situation where she can't keep the thing out of foreclosure."

During their meeting, however, the men evaded many specific questions, like what it would cost Neilsen to buy her house back.

But she admits, desperation chips away at logic when you could lose the only home you've ever known.

"You should know better on something like this. But I would have done it, I would have done it to save my house. And I would have ended up losing it," she said.

Experts say this is a legal gray area - that it may somehow be possible that this kind of deal could work out for a struggling homeowner, but unlikely

Both Gordon Smith, who worked with Loan Network, and Godsend were unable to lead KING 5 to any satisfied clients who actually bought their homes back.

What should these homeowners have done?

Both these businesses contacted the homeowners.

The Attorney General's Office says that's always a red flag.

You should go to a non-profit or a HUD-approved credit counselor. Many of their services are free.