



# HOUSE OF REPRESENTATIVES

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**February 24, 2025**

## *Testimony of Rep. Dan Ankeles*

### **Presenting LD 403, An Act To Protect Holders of Distressed Mortgages From Fraud Before the Joint Standing Committee on Judiciary**

Senator Carney, Representative Kuhn, and honorable members of the Judiciary Committee, thank you for the opportunity to come before you today for the first time. I am Representative Dan Ankeles, and I serve House District 100, a central slice of Brunswick. I'm here to present **LD 403, An Act To Protect Holders of Distressed Mortgages From Fraud.**

This is a measure that was brought to me by a Brunswick resident with experience in the foreclosure world. Because they still work in those circles, I'm going to refrain - at their request - from using any further identifying information. What I will say is that their professional experiences have led them to understand that people going through the foreclosure process are very attractive targets for scams or fraud, to the point where these scam attempts are commonplace. They've seen it up close several times and believe that we, the Legislature, can make modest changes to prevent people from getting scammed as often.

Scammers in the distressed mortgage field find people at their lowest, dangle what looks like a lifeline in front of them and then steal from them.

I'm going to paraphrase my constituent's words here and describe how these scams happen: A borrower falls behind on their payments. Once the foreclosure complaint is filed, it becomes public knowledge that they are in default. Scammers then find the contact information for the desperate borrowers and promise them a solution. Oftentimes, they promise the borrower, if they pay them thousands of dollars, that the scammer can guarantee a loan modification to help them save their home. The scammers may also convince the borrowers to let the scammers deal with the bank, and to avoid talking to the bank, explaining to the borrower that they have it under control. This isolation technique helps ensure the borrowers don't become wise to the scam. Meanwhile, the scammers take their money and eventually ghost them, leaving the borrower to show up to trial for the foreclosure feeling confused and even more desperate.

LD 403 asks those who are holding/serving these mortgages to play a more active role in warning homeowners about these scams and traps. Here's how: First, it specifies that communications to borrowers in a distressed financial position need to have prominent and very specific warnings about how people might attempt to defraud them. The warnings tell borrowers that there are legitimate parties out there who can offer counseling and assistance. Second, it raises the stakes for mortgage holders who don't warn borrowers in a timely fashion or who wait

too long to act after telling a borrower their mortgage is distressed. It says that if the mortgage holder isn't complying with these fairly low-maintenance asks, then they can't enforce the mortgage, including initiating a foreclosure action. That seems severe, but all parties involved should be highly motivated to prevent fraud.

In terms of the fiscal impact to state finances, our non-partisan staff has determined that no fiscal note is required, and they are not concerned that there might be masked costs in the out years or anything like that.

I am happy to attempt to answer questions and, as always, I readily acknowledge there will be people behind me on either side of the bill who have a stronger expertise on the mortgage business.

Thank you for your consideration, and I look forward to the work session.