

Preventing Mortgage Fraud

It's not just banks that have to worry about getting stung by mortgage fraud schemes. Increasingly, a variety of mortgage fraud and related schemes is victimizing ordinary homeowners, homebuyers and renters. In some instances, the losses experienced by individual consumers and families can be personally devastating.

Common Mortgage Fraud Schemes

Consumers should be wary of falling for these common mortgage and real estate fraud schemes:

- **Foreclosure "rescues."** Criminals may contact homeowners facing foreclosure and offer to help them avoid foreclosure or fix their credit to obtain further financing - all for an up front fee. But once the fee is paid, the fraudsters disappear, failing to accomplish what they set out to do. Now the family is out the cash and still faces foreclosure.
- **Fraudulent appraisals.** Sellers may pressure you to purchase a property based on a fraudulent and inflated appraisal of its value. Always do your own due diligence.
- **False Sellers.** A seller may attempt to sell a property he or she does not own, or assume the identity of the person who does own the property.
- **Borrower Identity Theft.** This occurs when one party illegally uses another's identity to obtain a mortgage.

What to watch for

- Be wary of unsolicited offers of assistance from people claiming to be mortgage consultants, mortgage representatives, anyone charging an up front fee for their services, and anyone insisting that you execute a "quit claim" deed, transferring your interest in the property into their name.
- Beware of anyone who offers to sell you a Social Security Number to use in obtaining a mortgage, or who asks you to 'lend' him or her your identity to obtain a mortgage.
- Double-check your SSN on all mortgage documents.
- Beware of buying property without seeing it first, or verifying that a promised tenant is, in fact, in the property and paying rent.
- Watch out for any strange mail or phone calls asking about a mortgage you don't know about, or following up on a real estate purchase or meeting or correspondence about a real estate purchase you didn't make.

- Beware of any seller whose name does not match the name of the seller listed on real estate assessment records.
- Any instance where a real estate or mortgage professional pressures you to use a particular property inspector or appraiser.
- Any instance where a real estate guru or club pushes you to buy several properties in a short period of time - especially if they require no money down from you or are even paying you to participate.
- Don't fall for 'straw buyer' schemes. That is, don't buy a home for another party using your money while deceiving the lender about the true source of the money, and don't use other peoples' money without disclosing that to the lender.
- Be wary of signing a power of attorney authorizing others to conduct real estate business in your name.

Penalties

Mortgage fraud is a federal offense. Those convicted of mortgage fraud may face up to 30 years in federal prison, a fine of up to \$1 million, or both.

Are you suspicious of fraudulent activity? Report it to the Federal Trade Commission at <https://www.ftccomplaintassistant.gov>.

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