

# MORTGAGE FRAUD EXAMINED

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## Common mortgage fraud schemes include:

- Money back to the buyer either before or after close of escrow
- Borrowing more money than the price of the house to pay off additional obligations, and concealing this by increasing the price in the closing statement
- Filing false income statements, or a false source of down payment.
- Licensee's negligence: providing false information as guidance; failure to exercise reasonable care or competence; having a non disclosed pecuniary interest
- Ineligible Buyer creates a straw buyer to appear eligible: Misleading or omission of facts to a lender, false bank account, employment, income or residence
- Receiving a "gift" in the form of the down payment and closing costs: fraudulent "gifts" usually flow from the seller or an interested party to the buyer, which cause the price and the loan to go up, resulting in stripping the property of all equity

## Blatant fraud includes:

- Purchases (concealing the source of income) by crime gang used to obtain a drop house for drugs, weapons, storing or manufacturing contraband, or for laundering money
- Bleeding the equity out of a house, and then letting it go into foreclosure
- Flipping the house through straw buyers to conceal or obscure a buyer's inability to pay or to close
- Filing false pay stubs, W2's, lying on loan documents, knowingly allowing creation, use or delivery of fraudulent or deceiving information
- An appraisal giving false valuation of the property
- False Contractor lien: a contractor gives the buyer cash and records a lien without performing any work, the price is raised to cover the lien, the contractor is paid back out of the closing

## A person's normal life circumstances may make him easier prey:

- To predatory lenders, rate swapping, illegal fees, overcharging, and false documentation schemes to conceal he is an ineligible buyer
- Mortgage elimination: Homeowner is approached with 'special documents that only the rich know about', to be processed and recorded upon receipt of a fee - but the bogus documents do not eliminate the mortgage
- Foreclosure "Rescue": Homeowner behind on payments receives \$5,000, signs quit claim, 'rents back the house with option to purchase', but thereafter loses house after missing a single payment

## Unscrupulous property managers have an open window to fraud:

- Transacting a lease-purchase contract and converting prepaid closing and down payment monies before the buyer had an opportunity to exercise his purchase option
- Converting rent money and security deposits for private use
- Charging excessive fees for labor and services, whether they are performed or not