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Mortgage Meltdown, Inc.

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Someone's making money in this market — the con men. Don't get taken.

The current real estate market seems scary for a good reason: Con artists are using market confusion to steal homeowners' property and prosperity. This year, the FBI expects to receive 60,000 reports of suspicious activity in the mortgage market, more than six times the complaints it received in 2003. Many will turn out to be fraud.

"You don't realize a predator is a predator until you feel the teeth," says Peter Ogilvie, president of the [California Association of Mortgage Brokers](#).

Are you at risk? Check out these four schemes and ways to protect yourself:

Default rescue

The nightmare has happened. You've defaulted on your mortgage, and foreclosure is looming.

The offer: A real estate investor will take over the debt and refinance for you. In exchange, you temporarily deed the house to him and pay a monthly fee on top of your mortgage.

The catch: That "investor" pockets the deed to your home along with your monthly payments, but doesn't refinance. Your home forecloses anyway.

How to stop it: Never deed your home to anyone, advises Lauren Saunders, managing attorney at the [National Consumer Law Center](#), a non-profit consumer protection organization. "Legitimate people are not knocking on doors or calling you," she said.

"If it sounds too good to be true, it is."

Costly mortgage counseling

You can't get your loan servicer on the phone to renegotiate rates even though you're struggling.

The offer: A company offers to be the middleman, contacting your lenders and getting

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Whether you're a novice or an investment pro, you'll find what you want in Good Reading. Be sure to check out the articles related to markets to get the big picture on where real estate is headed. We've assembled an expert team of writers to put things in context for you. And we're waiting for your feedback — let us know what you want to hear about!

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you more favorable loan terms in exchange for an up-front fee.

The catch: You pay up to \$3,000, but the company does nothing and your home defaults anyway.

How to stop it: Rebuff anyone who wants upfront payment for mortgage counseling, Ogilvie advises. Ask your mortgage broker to intervene. If that fails, contact the federal [Housing and Urban Development Housing Counselor program](#) or your state office of consumer affairs.

Inflate-and-crash

Your home has been languishing on the market as home prices continue to drop.

The offer: A buyer appears. She offers more than you're asking and in return wants you to kick back the money above your asking price.

The catch: The buyer never moves into your house, lets it default and pockets the kickback. The seller can be held liable for participating in the fraud, says Todd Lackner, an independent mortgage fraud investigator and appraiser in San Diego. "I've not seen a single case that's valid," he said.

How to stop it: Some cash-back on closing is legal — but it has to be included in escrow and can't be more than a few percent of the sale. If the buyer asks for more and wants to do it off the books, or if the buyer's agent wants to raise the price while the house is in escrow, decline.

Identity theft

Nothing's wrong — until you try to refinance.

The offer: In this one, there is no offer, just a catch. You attempt to refinance and find a foreclosure on your credit report — for a house you didn't buy in another county or state.

The catch: Scammers steal your identity and good credit to get a mortgage, but they let the mortgage default. In some cases, according to the FBI, scammers even buy your home away from you, using forged information to transfer the deed.

How to stop it: Keep close track of your credit and your property records at the assessor's office. If you see new, unfamiliar signatures or records, follow up. Do the same if you receive mortgage payment books and mailings addressed to someone who doesn't live at your house. They could be for the scammer.



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