



# MORTGAGE FRAUD RESOURCES

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## COMMON MORTGAGE FRAUD SCHEMES

### **Property Flipping**

Property is purchased, falsely appraised at a higher value, and then quickly sold. What makes this transaction illegal is that the appraisal information is fraudulent. The schemes typically involve one or more of the following: fraudulent appraisals, doctored loan documentation, or inflated buyer income. Kickbacks to buyers, investors, property/loan brokers, appraisers, and title company employees are common in this scheme. A home worth \$100,000 may be appraised for \$200,000 or higher in this type of scheme.

### **Nominee Loans / Straw Buyers**

The identity of the borrower is concealed through the use of a nominee (i.e., "straw buyer") who allows the borrower to use the nominee's name and good credit history to apply for a loan. In this scheme, there is the understanding that the nominee will not have to make any payments or be out any money.

### **Fictitious / Stolen Identity**

A fictitious or stolen identity may be used on the loan application. The applicant may be involved in an identity theft scheme: the applicant's name, personal identifying information and credit history are used without the true person's knowledge.

### **Inflated appraisals**

An appraiser acts in collusion with a borrower and provides a misleading appraisal report to the lender. The report inaccurately states an inflated property value.

### **Foreclosure schemes**

The perpetrator identifies homeowners who are at risk of defaulting on loans or whose houses are already in foreclosure. Perpetrators mislead the homeowners into believing that they can save their homes in exchange for a transfer of the deed and up-front fees. The perpetrator profits from these schemes by remortgaging the property or pocketing fees paid by the homeowner.

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## **Equity skimming**

An investor may use a straw buyer, false income documents, and false credit reports, to obtain a mortgage loan in the straw buyer's name. Subsequent to closing, the straw buyer signs the property over to the investor in a quit claim deed that relinquishes all rights to the property and provides no guaranty to title. The investor does not make any mortgage payments and rents the property until foreclosure takes place several months later.

## **Air loans**

This is a non-existent property loan where there is usually no collateral. An example of an air loan would be where a broker invents borrowers and properties, establishes accounts for payments, and maintains custodial accounts for escrows. They may set up an office with a bank of telephones, each one used as the employer, appraiser, or credit agency for verification purposes.

## **MORTGAGE FRAUD PREVENTION MEASURES**

- Get referrals for real estate and mortgage professionals.
  - Check the licenses of the industry professionals with state, county, or city regulatory agencies.
  - If it sounds too good to be true, it probably is. An outrageous promise of extraordinary profit in a short period of time signals a problem.
  - Be wary of strangers and unsolicited contacts, as well as high-pressure sales techniques.
  - Look at written information such as recent comparable sales in the area, and other documents such as tax assessments to verify the value of the property.
  - Understand what you are signing and agreeing to. If you do not understand, re-read the documents, or seek assistance from an attorney.
  - Make sure your name is correct on your application.
  - Review the title history to determine if the property has been sold multiple times within a short period. It could mean that this property has been "flipped" and the value falsely inflated.
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- Know and understand the terms of your mortgage
- Check your information against the information in the loan documents to ensure they are accurate and complete.
- Never sign any loan documents that contain blanks. This leaves you vulnerable to fraud.
- Review your credit report on a yearly basis. You can obtain a free credit report by calling toll-free 877-322-8228, or by going to [www.annualcreditreport.com](http://www.annualcreditreport.com).

## OTHER RESOURCES:

Texas Real Estate Commission

[www.trec.texas.gov/](http://www.trec.texas.gov/)

Texas Appraiser Licensing & Certification Board

[www.talcb.texas.gov](http://www.talcb.texas.gov)

Texas Department of Savings and Mortgage Lending

[www.sml.texas.gov](http://www.sml.texas.gov)

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