

Some Real Estate Deals Really Are Too Good to Be True

Scammers tend to go where the money is, and in recent years the money has been in real estate. As a result, both simple and elaborate real estate scams have popped up, and one piece of advice still holds true – let buyers and sellers beware!



Some of the simple real estate scams tend to be ones that property owners least expect – scams in which friends or family decide to take advantage of a relationship of trust by defrauding their unsuspecting victims. Time-honored methods for cheating those you hold near and dear include deed and title forgery, as well as outright lying to investors about properties that don't even exist.

With identity theft on the rise, some criminals steal an identity and take out loans in their victims' names. By the time an owner receives bills in the mailbox, the thief has made off with thousands of dollars from a lender who isn't aware of any fraud or wrongdoing. The lender may even begin foreclosure proceedings. It can be very costly for the rightful homeowner to reinstate proper ownership of the property in this scenario.



Similar fraud takes place when thieves forge a quit claim or warranty deed. Homeowners may find they have become a victim of forgery when they begin to get mail with an unfamiliar name, or unfamiliar bills that arrive in their name. These clues may point to the fact that the homeowner's signature was forged, deeding the property in question to the thief. The thief then takes out a new loan that provides for a substantial cash payment and disappears. The homeowner is left with the debt, as well as the burden of clearing title and his or her good name.

What other scams have surfaced in recent years? Equity stripping has become a popular practice used by unscrupulous buyers to "bail out" desperate individuals whose homes are in foreclosure. Typically, in this scenario, a buyer will come along offering to arrange for a new loan. What happens instead is that documents reveal the buyer has done more than arrange for a new loan. The buyer/con artist actually has tricked the home owner into selling the home outright, and either agreeing to lease the home back or purchase it back using a land contract. The new buyer then takes out a home equity loan on property, stripping it of its accrued value.

Another real estate scam is the "false promises" scam in which an individual or company offers to contact the lender for a homeowner who is in foreclosure. Instead of actually helping, the con artist merely distracts and delays the homeowner from taking action on his own. By the time the homeowner realizes what has happened, valuable time has been lost and the homeowner may be forced into accepting the con artist's offer of "rescue".

On the flipside, what if you're a legitimate buyer hoping to cash in on lower housing prices? Fraudulent sellers claim to offer "valuable" property at unbelievably low prices. The property generally is located outside the geographical area of the targeted audience and potential buyers may be required to pay up front for deposits or brokerage fees. At best, consumers buy property valued at less than what they were told. At worst, they receive nothing in return for their money.



And what about the ads offering foreclosed homes selling for \$20,000 or less? As is often the case, if it sounds too good to be true, it probably is. For some, the lure of the bargain is strong, and buying a foreclosed home smacks of a bargain. But attempting to purchase a foreclosed home comes with risks including buying a house without an inside tour, as well as buying a house without a clear title. You can view foreclosed homes on the Housing and Urban Development website (hud.gov), but many buyers vie for the same property.



If you're looking to cash in on real estate during a down market, remember that there is no substitute for doing your own research and working with licensed and accredited professionals.