



Assessor Prang Gives the Scoop on the Most Common Real Estate Fraud

The dream of home ownership remains one of the most important goals for many residents of Los Angeles County. Owning one's home or business is a source of pride and security and provides an opportunity for financial growth. Unfortunately, real estate scams can steal these dreams with a single forged signature or get-rich-quick scheme. This type of crime can have serious, long-lasting impacts on its victims.

Unscrupulous individuals can do inconceivable things with personal – and public – information ranging from the relatively minor infractions to the abhorrently mind-boggling scam.

While anyone may fall prey to one of these scams, the groups most targeted by real estate scammers are usually the elderly, homeowners already in foreclosure, and individuals with low incomes.



The following is a set of examples (by no means all-inclusive) of the types of real estate scams that are pervasive across the country. Of course there may be completely legitimate real estate transactions that have similar circumstances as the scams outlined below.

- **Foreclosure Rescue:** These companies prey on people who are behind on mortgage payments and whose mortgage company has commenced foreclosure proceedings. The companies tell desperate mortgage holders that they can *save* their home if the borrowers enact a “temporary” title transfer to the rescue company. The companies promise that the borrower can stay in the home and pay rent during the temporary title transfer time – what they claim is a “leaseback.” Often these “rescue companies” sell the homes once they obtain the title from the real owner. Because the rescue companies claim it is a leaseback, they often only pay the owner a minimum amount that rarely reflects what the owner would have made if they had sold the property on the market. In the meantime, the owners remain on the hook for the original mortgage payments on their home.
- **Mortgage Elimination:** These programs offer borrowers a way out of their mortgages in a relatively brief period of time (for example, eradication of a full mortgage in less than a year). They convince borrowers that there are loopholes that will allow the borrowers to escape the mortgage, and these companies charge a premium for this so-called “service.”
- **Equity Skimming:** Equity skimming happens when a buyer who wants to take out a large mortgage convinces the seller to re-list the house for an extraordinarily high amount (for

NOTE: This information is not intended as a complete guide regarding property tax laws. Information here has been derived in part from written and oral opinions from the California State Board of Equalization.

instance, twice the original amount) so that the buyer can obtain a larger mortgage from his/her bank. Often times in these situations, the buyer will take out the larger mortgage, pay the seller the original asking price for the house, and disappear with the rest of the loaned funds. The house usually ends up in foreclosure as a result.

- **Equity Fraud:** This is old-fashioned theft. The criminal in this situation actually obtains the personal information of the victim and uses this information on mortgage or loan origination documents. In addition, the criminal forges the victim's name on the deed and steals the equity from the property involved.
- **Fraudulent Loan Origination:** This happens when real estate professionals help unqualified buyers get the money necessary to purchase a home with an FHA-insured mortgage. Real estate professionals in this situation promise potential homebuyers that they will qualify for mortgages that are much larger than the buyers' ability to repay, and often then falsify official documents to assist homebuyers in obtaining these properties.
- **Land Fraud:** This happens when companies obtain information about potential homebuyers and sellers from mailing and call lists. The companies then engage in a direct mail and telemarketing campaign, promising huge profits and gifts if the sellers agree to buy land from the company. These companies sometimes sell unimproved, recently purchased lots that they purchased for \$1000 or \$2000 to unsuspecting buyers for up to \$50,000.
- **Rental Fraud:** Rental fraud occurs when a person files false "satisfaction of loan" documents with the local court. In order to file this paperwork, the renter has to forge the owner's signature, the bank officers' signatures, and bank seals. This document shows no encumbrances on the home, and the criminal is free to take out new loans on the property (which he/she does). They usually vanish shortly thereafter.

For more information about real estate fraud, including information about reverse mortgages, please visit the Los Angeles County Department of Consumer and Business Affairs website at: <http://dcba.lacounty.gov/wps/portal/dca/main/home/yourhome/owningyourhome>.