



CHICAGO BULL

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Fraud Stories: Are You Watching Your Back?

Attorneys (and their clients) have recently been blind-sided, suffered significant losses, even had to serve prison time, by not recognizing some key recurring *fraudulent* schemes. So here are a few seemingly benign but highly toxic recipes for disaster!

1. ***Quitclaim Deeds!*** Such as to
 - a. To unrelated third parties for no consideration (*i.e.* forgeries), or
 - b. To “dealers” (really wheeler-dealers!) who may or may not find buyers and may or may not make the mortgage payment with any rent money (“Real Estate Resale Dealers” or “We Buy Homes” people),
 - c. To out-of-state unrelated “trustees” promising to “eliminate your mortgage!”
2. ***Mortgage Elimination Schemes!*** Property owner conveys title to an out-of-state trustee who then executes their own power of attorney purportedly on behalf of the lender, signs their own “satisfaction” as attorney-in-fact for the lender and quickly refinances without any payoffs (sharing a split of the profits, of course!)
3. ***Unexplained cancellations!*** Did your seller inherit a fortune recently or where did that payoff come from?
4. ***Powers of attorney:***
 - a. To unrelated, non-bank attorneys- in fact
 - b. To a relative who is using the principal’s assets to pay their personal debts!
5. ***Trusts*** with unrelated, non-bank trustee
6. ***Multiple deeds on a single property***, either at closing or recently, for no apparent reason
7. (AKA “flipping”), especially without stamps or with significantly increasing stamps and/or without disclosure to the true lender. *See* 24 CFR Part 203.37, HUD’s regulations on buying / insuring “resales.”
8. ***“Accommodation fees”*** (“off the HUD”) – “It’s just between us; no one else needs to know!”
9. ***Two (or more) HUD-1 Settlement Statements*** for a single closing – “One is for the lender; the other is for ...”
10. ***Multiple inconsistent contracts*** -- especially with significantly different purchase prices or parties.
11. ***Names with punctuation marks*** instead of spaces, such as: “John;Smith-Jones”: Have you heard of “freemen?” How do you search that on a computer!?
12. ***Inaccurate stamps*** on deeds, especially higher than the statutory rate! *See* 2001 FEO 12.
13. ***Multiple recent transactions by a single investor*** – How many “primary residences” can one person buy in 6 months?

WHAT YOU ALWAYS NEED TO KNOW:!

- ⇒ *Does the transaction make sense?*
- ⇒ *Are there suddenly new parties?*
- ⇒ *Understand the transaction, look behind the surface – “Where’s the Money?”*
- ⇒ *Are you and your title insurer satisfied with the “bona fide” of the transaction?*
- ⇒ *Is this realistic for this buyer?*
- ⇒ *Are documents correct – i.e. not all saying “principal residence” if it’s clearly not?*
- ⇒ *Remember: Mortgage broker, “dealer” is probably not the investor / lender!*

For even more information and resources, go to:
<http://www.freddiemac.com/sell/factsheets/pdf/qc.pdf>

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