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Cracking Down on Mortgage Fraud: Tips from a Scammer – Part I

Mortgage fraud is rapidly becoming the fastest-growing white collar crime in America, according to the FBI. In fact, the Bureau estimates that \$1 billion worth of mortgage fraud crime was committed last year alone.

While a slumping housing market may be upsetting to home seller pocketbooks, the good news is that a slower market means mortgage fraud is harder to perpetrate and easier to spot. Even so, homeowners and government officials need to be on their guard to fight against these financially devastating scams. Recently a reporter from USA TODAY visited a Missouri prison to interview a convicted mortgage scammer and find out his secrets.

Brent Barber, 42, is currently serving a 12 year sentence for a string of scams involving almost 300 properties and 80 homeowner victims. His convictions included money laundering, conspiracy, and wire fraud, for his illegal plots that took place mainly in Missouri, but also in many states around the nation. Barber has also been ordered to make \$11 million in restitution payments.

During his five years of defrauding American homeowners, Barber worked with a dozen or so accomplices, nine of whom have also been convicted of fraud crimes. Barber was finally caught by the FBI after one of those disgruntled co-conspirators reported him.

Barber had several scam scenarios that he used regularly to steal money from homeowners and lenders. Perhaps the most disturbing and hardest-to-prevent schemes involved forging signatures on real estate deeds. Barber would prey on seniors by targeting those with paid-off mortgages. He would then fill in a blank property deed for a retiree's home, forge his or her signature, and attach a notary's stamp obtained at any local office supply store. Then he would simply file the deed at the county recorder's office and start obtaining a mortgage for the house in order to use the borrowed funds for his personal gain.

"If you could buy one house that way," Barber said, "you could buy 20 a day."

The homeowner would only find out that something was wrong when Barber's lender started foreclosure proceedings on his or her home because of missed payments. By that point, the con artist would have pocketed thousands of dollars and moved on to his next victim.

Barber says that the problem lies with the weakness of the recorder's office procedures. The recorder is not required to validate the documents that come through the office, but simply to confirm that they have been appropriately filled and notarized. To curb the ease of fraud in this area, Barber suggests that buyers should have to personally file their deeds, showing photo identification to the recorder for extra verification. Another good idea is to have the recorder's office inform homeowners when any new documents regarding their homes are filed. This could be a key in stopping the fraud before it gets too far.

Look for the next part of this article that details Barber's other mortgage schemes, including investor and foreclosure scams. Learn what advice he gives for preventing these crimes and protecting yourself from becoming a victim.