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Cracking Down on Mortgage Fraud: Tips from a Scammer - Part II

With more and more mortgage fraud cases coming to light, and with at least a total of \$1 billion in fraud losses in the U.S. during 2006, we all have an interest in learning more about mortgage fraud schemes and how to avoid them. A recent USA TODAY article featured an interview with a convicted mortgage fraud mastermind, currently serving a 12-year prison sentence. The reporter pumped Brent Barber, 42, for clues, as to how the government and homeowners can make mortgage crimes harder to commit and easier to catch.

Barber described a common mortgage scheme that involves taking advantage of desperate homeowners in the throes of foreclosure. These frantic people are often too eager to listen to anyone who can promise them relief from the negative consequences of foreclosure. A con artist could offer to take over such distressed homeowners' mortgage loans to free them from foreclosure. Then instead of really assuming the debt, the scammer leaves the loan in the homeowner's name, rents out the property, and pockets the rent proceeds until the lender finally forecloses on the real homeowner.

"It would take three months before the lender is even going to start foreclosing, and even when they start foreclosing, I can hold off that foreclosure for six months to a year," said Barber. "So if I had one house and the rent is \$600 a month, I'd have \$7,200 on that house (in a year), and if I got 10 houses, I'd make \$72,000. Scary!

To combat this problem, Barber stressed that homeowners should avoid listening to anyone promising to bail them out of the debt. Instead they should just try to rent out their home themselves to earn back the money, while renting an inexpensive place for their own needs. If homeowners do decide to let someone else assume their loan, they should be extremely thorough in making sure that all the proper documentation was made and correctly filed.

Another major mortgage fraud is the "investor scam"; Barber used this one frequently and with great success. He would pose as a real estate investor and present himself to an unsuspecting person with good credit, usually a senior citizen. He would tell them that he had reached his credit limit for buying homes, but if they would buy a property for him he would make all the payments and would even give them several thousand dollars for their role in the investment.

"You say: 'Look you're not really going to owe money. It's going to be my house, or the tenants are going to be making payments. The rent is \$500, and the payment is \$300. By signing here, you're going to get the difference,'" Barber said.

In the end Barber, collected the profits without having the responsibility of the mortgage. Many of his victims were forced into foreclosure, or even bankruptcy.

Barber's advice is for people to be wary of deals like this that sound too good to be true. People considering such "investments" should not take the investor's qualifications on faith, but should check out his residence history and criminal background.



Homeownership and maintaining good credit are two very valuable things that require a lot of hard work. Homeowners should learn a good lesson from Barber’s nefarious behavior and his revealing advice: take precautions to safeguard your home and your credit and do not be too quick to jump into a scheme to earn a quick buck!