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The 4 most common mortgage and real estate scams and how to avoid them



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Criminals are getting more creative in how they target consumers trying to buy or rent a home or considering refinancing. Getting scammed can lead to major financial headaches for unsuspecting victims. In 2017 alone, 9,645 victims reported real estate fraud, resulting in losses of more than \$56.2 million, according to data from the FBI's Internet Crime Complaint Center. Here are four common real estate and mortgage scams — and tips to avoid becoming a victim.

Escrow wire fraud

What it looks like: You get an email, phone call or text from someone purporting to be from the title or escrow company with instructions on where to wire your escrow funds. Fraudsters set up fake websites that appear similar to the title or lending company you're working with, making it seem like the real deal. Scammers use spoofing tactics to make phone numbers, websites, and email addresses appear familiar, but one number or letter is off — an easy thing to miss at first glance. If the money is sent, scammers withdraw the funds from an offshore account, and victims have few options to retrieve it.

How to protect yourself: Never click on email or text links, or send money online, without verifying wire instructions with a live person on the phone from a number that you've called and verified from the original lending documents. Be wary of any email or text requesting a change to wiring instructions you already have. Always confirm the escrow account number before wiring money, and call your settlement agent to verify the transfer of the funds immediately after you're done.

Loan flipping

What it looks like: Loan flipping is when a predatory lender persuades a homeowner to refinance a mortgage repeatedly, often borrowing more money each time. The scammer charges high fees and points with each transaction, and homeowners get stuck with loan payments they can't afford after being duped into borrowing most of their home's equity. Seniors with memory impairment are especially vulnerable to these scams because they have significant home equity and may not realize they're being taken advantage of.

How to protect yourself: If you've recently completed mortgage refinancing, it's usually not in your best interest to do another transaction right away. If predatory lenders are actively seeking you out and you haven't requested their help, that's another warning sign. Work only with known banks or lenders, and question all fees and penalties presented to you. Elderly homeowners who have cognitive issues should involve a trusted relative or friend in key financial discussions, especially about tapping home equity. Review all documents closely.

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Foreclosure relief

What it looks like: People who get behind on their mortgage payments can become desperate to save their homes. That's when scammers, who have access to public records of homes in pre-foreclosure, swoop in with offers of foreclosure relief to capitalize on homeowners' vulnerability. Some fraudsters claim they're affiliated with the government or government housing assistance programs, and swindle homeowners out of hundreds or even thousands of dollars in fees.

How to protect yourself: The best way to avoid foreclosure is to work directly with your loan servicer to modify your existing loan, request forbearance, or make some other arrangement. Homeowners can first enlist the help of a HUD-accredited housing counselor to see what options they have, and then include their counselor on a three-way call to their lender to find solutions.

Rental scams

What it looks like: Scammers post property rental ads on Craigslist or social media pages to lure in unsuspecting renters, sometimes using photos from other listings. The scammers, who have no connection to the property or its owner, will ask for an upfront payment to let you see the property or hold it as a deposit. In reality, they're just looking to get quick cash through nefarious means. Rental scams are alarmingly common. An estimated 5.2 million U.S. renters say they have lost money from rental fraud, according to a recent survey from Apartment List. Younger renters are the likeliest victims, with 9.1 percent of 18- to 29-year-old renters having lost money on such a scam, the survey revealed. And of those who did lose money to scammers, one in three lost more than \$1,000.

How to protect yourself: Be suspicious of anyone who asks for a cash deposit upfront to see a property. Be sure you're dealing with the real property owner before negotiating rental terms or seeing a property in person. You can search the local property appraiser's website to find out who the current property owner is and look for contact information online. Avoid doing transactions via email or on the phone; it's best to be face-to-face to confirm the property ownership, sign any required documentation, and [make a] payment. Use a check (never cash) to make a payment so you have an automatic receipt. Finally, always insist on speaking with the property owner before signing a contract or making a payment if someone says they're representing the owner. If someone claims to be a real estate agent, ask to see their license and take a picture of it so you can confirm the information online through your state's division of real estate licensing.

Steps to take if you're targeted

Trust your gut if something doesn't feel right or seems too good to be true. Work only with professional lenders associated with local and/or national trade associations, and ask for referrals from family and friends. If you're an older homeowner (or a caregiver to someone who is), be on your guard when companies pressure you to tap your home equity. If you suspect a scammer is trying to target you, don't open any email links or respond to any messages. Instead, report the activity to your local police department. To report fraud, identity theft or financial scams, visit the FTC's complaint website.