

# Real Estate Tips

## BEWARE OF MORTGAGE FRAUD!

By Sidney Jimenez / Your Realtor



“Rebate” and “cash back” are terms heard so frequently that they often don’t register. When it concerns real estate, however, pay attention! If you’re getting a rebate, you could be breaking the law—it’s called mortgage fraud and it’s a federal offense. In today’s stiff real estate market, not only is it occurring more often, but many realtors and mortgagors are turning a blind eye to it just to get a home sold.

Many people who get involved in mortgage fraud have no idea that they’re doing something illegal; in today’s market, it’s often the buyer who may get caught up in it. For instance, a home is put on the market with an asking price of \$500,000. After several months, a prospective buyer offers the asking price and the seller accepts. When the home is appraised, the property’s value turns out to be \$600,000. The buyer’s agent approaches the seller and asks to have the contract rewritten to reflect the appraisal at \$600,000. The extra \$100,000 from the original contract is returned to the buyer at closing. This type of transaction is fraudulent when not approved in advance by the lender.

There have been more blatant instances of mortgage fraud. For example, a potential buyer will make an offer only if the seller agrees to this kind of scheme in advance. In other words, the seller has to agree to the inflated price and “give back” or there will be no offer and potentially many more months before an offer does come along. Many homeowners, eager or even desperate to make a sale, will give in to these pressure tactics.

Lenders, of course, are hit the hardest by mortgage fraud, but it can have a nasty ripple effect on entire communities. Imagine that this type of scheme was used to inflate the value of a home in your neighborhood. When you decide to put your home up for sale—or a neighbor decides to sell theirs—the realtor might use the house with the inflated prices as a market indicator for the pricing of your home. That, in turn, could cause your home—now considered overpriced—to linger on the market. As I’ve mentioned in other articles, appropriate pricing is the number one factor in getting a home sold within a reasonable timeframe.

Don’t confuse mortgage fraud with other situations where the seller may seem to be giving money to the buyer. For example, sellers are allowed to pay for part or all of the buyer’s closing costs; this happens routinely and is perfectly legal. Most banks have limits on closing cost contribution amounts, usually between 3% and 6%. This type of payment agreement—like any—should be included in the contract and must be accepted by the bank, which has the final say.

Make a point of discussing mortgage fraud with your realtor or representative to ensure that everyone understands the types of transactions that are acceptable and those that aren’t. While it’s an issue that unfortunately is becoming more prevalent, there may still be some realtors who aren’t aware that it comes with severe consequences. Even if you unknowingly participate in mortgage fraud, you could face the same punishment as those who were involved just to make a quick buck. Staying informed and keeping the lines of communication open are the best way to protect yourself and your home.

**Editor’s Note:** Sidney Jimenez is a Realtor and a contributing writer for CSPN News and The Pines & Miramar Advisor. For questions or more information, please call 954-665-9449, via email at [Info@SidneyJimenez.com](mailto:Info@SidneyJimenez.com) or log into [SidneyJimenez.com](http://SidneyJimenez.com).