

## Conditions Are Right For A Rise In Mortgage Fraud - What You Need to Know

May 8, 2018 - In the years leading up to the 2008 crash in real estate, mortgage fraud was rampant in the United States. Lenders offered products that were actually referred to as "liar's loans." It was pretty well accepted by lenders, loan brokers and real estate agents that most people getting one of these loans - usually with no verification of income or assets - was lying about their financial condition. Nobody seemed to care however. After the crash, lending laws were changed and "liar's loans" were supposed to be a thing of the past. But the easy money is back if you know where to look for it. And once again, nobody seems to care

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Shortly after the market crash in 2008, lenders made it almost impossible to get a new loan even for those who were qualified and had good credit. In order to buy a house, you pretty well needed to have a minimum down payment of 20%, a credit score that was pushing 700 and stable income. And even then, you might not have gotten the loan.

But sometime around 2011, lenders started to relax those rules. Today, if you're a veteran you can probably buy a house for nothing down. And even if you aren't a vet, there are some loan programs being advertised for as little as 1% down.

In addition to these programs, there are now hundreds - perhaps thousands - of non-traditional lenders offering what is called hard-money. These are loans with high interest rates but which don't usually require a lot of underwriting scrutiny. And many of these loans offer terms similar to those offered by traditional lenders a decade ago.

All of this easy money is likely to be a precursor to mortgage fraud. Ten years ago, buyers were told not to worry about what would happen when their mortgage interest rates jumped. They could simply refinance. That worked right up until banks started to refuse to refinance. Over the past five or six years, housing prices have skyrocketed. And because there are now stated income, stated asset loans available, some buyers are now starting to think they can get into a program with an initially low cost, but when their monthly payment begins to rise they will simply refinance. It's deja vu all over again - pardon the pun.

Anyone considering this needs to know that it is both dangerous and possibly illegal. Lying to get a loan is a federal crime that carries up to 30 years in prison and a \$1 million fine. And lying includes misstatements regarding income or assets. If a lender, broker, real estate agent, or anyone else tells you to lie to get a loan, they are guilty of mortgage fraud too.

Unfortunately, purchasing a home is probably the most complicated transaction that most Americans will ever conduct. In many cases, buyers don't take the time to read or understand the documents they are signing. It is quite common for people to listen to an explanation of the basic terms for a loan or a purchase and then have someone point to every place in the document they are to sign. That can lead to real trouble.

It may be tedious, but take the time to read the documents and ask questions if you don't understand anything. Not doing so could lead to foreclosure and criminal charges. And when you get to court, when you're asked why you made false claims on the documents you signed you're going to want a better defense than to say, "My banker (or broker, or agent) told me to." That isn't going to get you out of trouble.

by Jim Malmberg

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