

Crashing Housing Market Likely to Bring Out the Scam Artists

January 11, 2023 - When the housing market began to crash in 2008, it didn't take scam artists long to figure out that there was money to be made in the misery of homeowners. So with housing prices collapsing around the country and the lessons of 2008 still relatively fresh in their minds, it's quite likely that it will take even less time to rear their ugly heads this time around. And those who fall for their scams could easily find themselves homeless.

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When homeowner get desperate, they can make some bad decisions. And with corporate America now cutting jobs, there are bound to be a lot of desperate homeowners in the not-too-distant future.

Anyone in this position who is having trouble making their mortgage payments has limited options. Typically, those involve selling their home or facing foreclosure. And for those who owe more on their homes than they are worth on the open market - known as a short sale - involves getting lender approval. Not only is that a time-consuming process with no guarantees, but it usually means that the seller won't receive any of the money from the sale.

None of these options are very attractive and that often leaves people looking for alternatives. Enter the scam artists.

One of the more popular scams the last time around involved deed transfers. And this is the one that we suspect will rear its ugly head very soon. It works like this. A potential victim is identified and the scam artist sells them on the potential to get out from under their mortgage by deeding their home over and then renting it back for a period of time. There is usually a contract that is signed by both parties and as a part of that contract, the scam artist agrees to take over the mortgage payments. The contract also agrees to transfer the house back to the original owner at a later date.

In reality what happens is that the scam artist collects the rent on the property, stops paying the mortgage, and in some cases is actually able to sell the property at a profit. The original homeowner then faces eviction either from the bank (after the property has been foreclosed upon) or from the new owner.

Anyone who really thinks about the proposed scam will realize that there are some real issues with it. For instance, if you can't afford your mortgage, then you won't be able to afford to pay enough rent to cover the mortgage for the new owner after you transfer your deed. But homeowners in this scenario are often desperate and not thinking straight.

The best advice that we can give is that if something sounds too good to be true, then it probably is. Anyone facing the possibility of not being able to make their mortgage payments needs to contact their lender prior to having a payment issue. You should also consider talking to a housing counselor. Remember, lenders don't want to be landlords. The last thing they really want is to foreclose on your home. Depending upon your circumstances, you may be able to get a loan modification. And depending upon where you live, you may be able to keep your home by going through bankruptcy. But falling for a scam like the one described here could leave you penniless and homeless.

by Jim Malmberg

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