

Straw Buyer Mortgage Fraud

A Straw Buyer is someone who agrees to put their name on a mortgage application on behalf of another person, typically for a cash payment.

How the scam works....



The Property

Property owner receives \$425,000 originally agreed to in accepted offer

Mastermind

Mastermind receives \$25,000 and Property Title

Straw Buyers

Receive \$5,000 from Mastermind. Remains responsible for mortgage even after signing over title

Lender

Lends more than legitimate purchase price

Lawyer

Receives a cut from the Mastermind

- 1 Property listed at \$450,000.
- 2 Fraud Mastermind offers to purchase property for \$425,000. The property owner accepts.
- 3 Based on the fake purchase contract, Straw Buyers apply for a \$450,000 mortgage (assuming \$25,000 down payment).
- 4 Mastermind pays Straw Buyers \$5,000 to write a fake purchase contract with their names on it for \$475,000. The property owners are unaware of this offer.
- 5 Lender approves mortgage based on Straw Buyers' good credit. Lender forwards \$450,000 in purchase funds to a lawyer who is in on the scam.
- 6 Lawyer forwards \$425,000 to the property owner as per the legitimate accepted \$425,000 purchase contract.
- 7 Lawyer forwards the property title to the Straw Buyers for the home they just purchased for \$475,000.
- 8 Lawyer forwards remaining \$25,000 from the Lender to the Mastermind.
- 9 Straw Buyers sign over the title to the Mastermind, who is now the property owner. However, Straw Buyers are still responsible for the mortgage, and Lender will pursue the Straw Buyers for ongoing payments.