October 25th 2012 housing market updates brought to you by the CA Association of Realtors

1. **End is nigh for certain tax exemptions -** By The New York Times
2. **Wells Fargo faces suit over FHA loans -** By San Francisco Chronicle
3. **Restructured HARP helping more underwater homeowners to refinance -** By The Washington Post
4. **Banks accused of defrauding homeowners by rigging Libor -** By Sacramento Bee
5. **New-home sales hit 2-year high –** By CNNMoney
6. **Number of low-price homes plummets in state –** By The New York Times
7. **Freddie Mac warns of bogus landlords renting out foreclosed homes -** By The Los Angeles Times

The New York Times

October 18, 2012

End Is Nigh for Certain Tax Exemptions

By LISA PREVOST

JUST as beleaguered borrowers are beginning to feel some relief from a $25 billion deal requiring the nation's biggest banks to forgive more mortgage debt, another financial threat looms.

As it stands now, any mortgage debt forgiven by a lender in a short sale, loan modification or foreclosure is exempt from federal taxation. Come Jan. 1, that exemption expires.

Borrowers will have to count mortgage relief from lenders as income on their federal tax returns. That means, for example, a borrower would have to pay taxes on a $100,000 reduction in principal owed on a loan, or a $20,000 write-off in the amount owed after a short sale.

An extension of the tax exemption — established under the Mortgage Forgiveness Debt Relief Act of 2007 — is a strong possibility. But given that Congress will have to grapple with serious fiscal issues after the November elections, there is no guarantee the exemption will emerge from those negotiations intact.

"I'm optimistic in the sense that everyone agrees on the merits of the issue and that it's good for the market," said Jamie Gregory, the deputy chief lobbyist for the National Association of Realtors, which is pushing for the exemption's renewal. "My only caution is the process."

Goldie Sommer, a real estate lawyer in Fairfield, N.J., who specializes in short sales, says she, too, is hopeful that an extension will come through, but she is taking no chances. Her office staff is doing all it can to make it easier for lenders to sign off on short sales. That means submitting packages only when they include a signed contract and a good-faith deposit from the buyer.

Given that short sales handled by her office take, on average, two to three months to complete, deals being negotiated now are already bumping up against the Dec. 31 exemption cutoff. "We're trying to push the short sales now as fast as we can," Ms. Sommer said, "or our clients will get stuck with a big fat tax bill."

The Debt Relief Act exemption applies only to canceled mortgage debt used to buy, build or improve a primary residence, not a second home. The maximum exemption is $2 million.

In 2011, the estimated tax savings to borrowers from the exemption was at least $1 billion, according to calculations by the Realtors association.

Reinstating the tax would undercut the effect of the settlement reached earlier this year in the federal government’s investigation into banks’ epic mishandling of foreclosure documents. Under the terms of the settlement, five of the biggest mortgage lenders must put some $17 billion toward debt relief that enables borrowers to stay in their homes. Smaller portions are reserved for short sales and refinancing.

Borrowers in New York and New Jersey would feel considerable pain if the tax exemption expired, because both states have a backlog of foreclosures, said Michael Litzner, the owner/broker of Century 21 American Homes, which has offices on Long Island. The foreclosure process in these states is longer than in any other, according to RealtyTrac. New York has the longest timeline — 1,072 days as of the third quarter, compared with the national average of 382 days.

“There’s a tremendous shadow inventory that’s still looming out there that needs to be mitigated,” Mr. Litzner said. Still, borrowers ought not rush into a short sale decision solely because of the tax issue, said Jason Milligan, the owner of Milligan Realty, in Norwalk, Conn. They should look into whether it applies to their situation, and consider their options.

“For example,” he said, “if you can get another year living in the house for free, then it’s not going to matter so much. And if you’re going bankrupt, you might as well keep shelter over your head as long as you can until they throw you out on the street.”

Mr. Litzner says ending the exemption would be a “huge blow” to the economy. Without it, he predicted, “people will walk away from properties; you take it off the table and people lose the incentive to settle.”

Wells Fargo faces suit over FHA loans

Andrew S. Ross, Chronicle Columnist

Updated 4:52 p.m., Thursday, October 11, 2012

Of all the big banks caught up in the mortgage meltdown, **Wells Fargo** has emerged the strongest.

It's the nation's largest in terms of market value, ranks No. 1 in the home mortgage field, and is the world's largest wealth manager. It's also the most respected, according to Barron's list of the world's best companies.

But the past is coming back to haunt the San Francisco institution.

This week, federal prosecutors filed a civil fraud suit charging Wells Fargo with "more than 10 years of misconduct" in connection with a mortgage-lending program administered by the **Federal Housing Administration**.

The particulars of the alleged misconduct include fraudulent insurance claims, "reckless" origination and underwriting of the FHA-backed loans, "intentional concealment" of loans it knew were either bad or "rife with serious violations," and virtually nonexistent internal controls - all of which cost taxpayers hundreds of millions of dollars.

The wording of the complaint is harsh, as are the accompanying statements from federal prosecutors (who are suing for treble damages).

"Yet another major bank has engaged in a long-standing and reckless trifecta of deficient training, deficient underwriting and deficient disclosure, all while relying on the convenient backstop of government insurance," said **Preet Bharara**, U.S. attorney for the Southern District of New York, where the suit was filed.

'Profit over people'

"Wells Fargo has been a valued participant in the FHA-mortgage lending program," said **Helen Kanovsky**, general counsel of the U.S. **Department of Housing and Urban Development**. "Unfortunately, there was a time when Wells Fargo placed profits over people, corporate results over corporate integrity, and did not consider the effect its actions would have on the FHA program as well as the overall economy."

Wells Fargo denies the charges, saying it "believes it acted in good faith and in compliance" with federal rules, and that "many of the issues in the lawsuit had been previously addressed with HUD."

"Wells Fargo is the leading FHA lender and has acted as a prudent and responsible lender, with FHA delinquency rates that have been as low as half the industry average," it said. "The bank will present facts to vigorously defend itself against this action."

As Bharara indicated, Wells is not the first bank to be dinged by the feds in connection with FHA-backed loans. **Deutsche Bank** paid $202 million to settle a similar suit filed by Bharara in May. In February, **Citigroup** and a Michigan bank, **Flagstar Bancorp**, coughed up a combined $290 million, the same month **Bank of America** agreed to fork over $1 billion on behalf of its **Countrywide Financial** unit. A pending suit filed against **Allied Home Mortgage Capital Corp**. and its two top executives could cost the since-suspended Houston privately held lender up to $2.5 billion in treble damages.

Alleged misconduct

In Wells Fargo's case, the alleged misconduct dates back to 2001. From 2001 to 2005, Wells certified more than 100,000 FHA-backed loans as meeting all the requirements to be federally insured. In fact, according to the suit, "the bank knew that a very substantial percentage of those loans - nearly half in certain months - had not been properly underwritten, contained unacceptable risk, did not meet HUD's requirements and were ineligible for FHA insurance."

By 2010, Wells had internally identified 6,320 "seriously deficient loans" that it "abjectly failed" to report, as required by law, but deliberately "concealed" them thanks in part, according to a former fraud risk manager, to a "dirty underbelly of bad loan officers." But it wasn't simply a question of some low-level bad apples. It seemed to be more about a management-encouraged boiler room mentality. According to the indictment:

"Management's actions included paying improper bonuses to its underwriters to incentivize them to approve as many FHA loans as possible, and applying pressure on loan officers and underwriters to originate and approve more and more FHA loans as quickly as possible."

The result: Hundreds of millions of dollars of federal insurance payments on thousands of loans that inevitably defaulted.

Settlement and profit

Wells Fargo knew it was in the crosshairs in August when it disclosed in an SEC filing that it was facing an investigation into FHA-backed loans, and has presumably set aside funds to cover legal expenses likely to be incurred.

In July, it agreed to pay $175 million to settle a federal suit charging the bank's independent brokers discriminated against - i.e., imposed higher fees and interest rates - on 30,000 African American and Latino borrowers between 2004 and 2009. The settlement included $50 million set aside in a fund to assist lower income borrowers in eight metropolitan areas, including San Francisco.

Add that to the amount Wells has set aside for its share of the $26 billion foreclosure abuse and mortgage fraud settlement reached with the nation's five biggest banks in February.

On Friday, Wells Fargo reports its third quarter earnings. Analysts expect them to be better than ever. Better perhaps than the second quarter, in which it recorded $4.62 billion in profit, assisted by a 79 percent increase in mortgage banking income.

Andrew S. Ross is a San Francisco Chronicle columnist. E-mail: bottomline@sfchronicle.com Blog: www.sfgate.com/columns/bottomline Twitter: @andrewsross Facebook: sfg.ly/zdoACKM

THE SACRAMENTO BEE sacbee.com

Restructured HARP helping more underwater homeowners to refinance

hsangree@sacbee.com

Published Sunday, Oct. 21, 2012

In the Sacramento area, about 180,000 households, or roughly half of all homeowners with mortgages, owe more than their homes are worth.

Many are stuck paying higher interest rates than today's ultra-low average of about 3.5 percent on a 30-year loan.

For these families, refinancing to a lower rate would free up cash in a tough economy and help them stay in their houses. Yet until recently, large numbers of homeowners were shut out from refinancing because they owed far more than their homes are worth.

Today, a reworked federal effort called the Home Affordable Refinance Program, or HARP, is helping thousands more refinance, even if they're deeply underwater on their mortgages.

The HARP restructuring – known as HARP 2.0 – took effect late last year and opened the floodgates for those who had been blocked from refinancing under an earlier, more-restrictive version of the program.

Through July, about 75,000 California homeowners had refinanced under HARP – roughly 25,000 more than the number that refinanced under the program during all of 2011.

"A lot of those folks had already applied for HARP and been declined," said Tai Mamea, vice president for mortgage lending at Chase bank. "Sometimes they've been waiting for years."

Chase customers have saved an average of $300 a month by refinancing through HARP, often halving their interest rates, he said.

But HARP 2.0, as it's known, isn't the cure-all that some predicted. For some homeowners, frustrations and roadblocks remain.

"I've helped lots of families refinance with HARP," said Brent Wilson, a loan strategist with Comstock Mortgage in Sacramento. "But I still see a huge void of folks upside-down on loans who can't refinance with HARP."

A major reason, he said, is that their loans aren't backed by mortgage giants Freddie Mac or Fannie Mae, a requirement for HARP refinancing. Being up-to-date on mortgage payments is another prerequisite.

Others might have low credit scores or high debt-to-income ratios, or they may lack cash reserves. Depending on the rules of individual lenders, such factors can prevent homeowners from successfully refinancing under HARP, Wilson said.

"You still have to be able to qualify," he said. "It's not as clear-cut as some people make it sound."

Still, federal officials cleared away one of the biggest hurdles, he said.

The original version of HARP, introduced in 2009, allowed a loan-to-value ratio up to 125 percent. To be eligible, homeowners could only owe 25 percent more than their homes were worth. In other words, they could only be slightly underwater.

Many in the Sacramento region have sunk much deeper. One out of five of the region's homeowners owe at least twice what their home is worth, according to online real estate tracking firm Zillow.

It's a situation that's common in other areas of California and in regions of the country – including Florida, Arizona and parts of the Northeast – that experienced a spike in housing prices followed by a calamitous free fall.

That's why federal authorities restructured HARP so that it lets homeowners refinance regardless of the difference between loan amounts and home values.

Some lenders, however, have their own criteria that they layer on top of the HARP rules, experts said. They can impose loan-to-value caps of 105 percent or 150 percent.

But HARP 2.0 also gives borrowers more freedom to shop around if their current loan servicer won't help, and mortgage experts say trying different lenders can be a useful strategy.

Folsom resident Angela Sing found refinancing under HARP 2.0 maddening but ultimately rewarding after going to several different lenders.

Sing and her family owed $440,000 on a first and second mortgage from 2003, but their home is worth only about $290,000. Her primary loan was interest only with a 6.8 percent rate.

"We didn't want to walk away," Sing said. "We signed the original papers, and we wanted to take responsibility."

Sing tried twice to refinance under the old HARP program without success.

When the program was overhauled, she was rejected by her lender. So she tried another lender, with similar results. Finally, she tried a third lender and was successful, though not without more setbacks.

At one point, her credit score fell by a few points, and she had to start the whole process over.

"It was incredibly frustrating," she said.

Earlier this month, after weeks of repeatedly faxing her financial documents to her lender, she's refinanced into a 30-year loan with a 4.25 percent interest rate that lowered her payments by about $250 a month.

"You really have got to be persistent," she said.

Call The Bee's Hudson Sangree, (916) 321-1191.

CNNMoney
A Service of CNN, Fortune & Money

New-home sales hit 2-year high

By Chris Isidore @CNNMoneyOctober 24, 2012: 11:08 AM ET

PHOTO: JOE RAEDLE/GETTY IMAGES

New home sales hit a two-year high in September.

NEW YORK (CNNMoney) -- In another sign of a housing market recovery, new-home sales rose in September to the highest level in more than two years, according to a government report released Wednesday.

Sales sold at an annual rate of 389,000 homes in the month, according to the Census Bureau report, up 5.7% from the 368,000 sales pace in August. The last time sales were at this pace, in April 2010, they were being helped by a short-term home buyer's tax credit.

This time, the new home market has been showing steady signs of improvement. The pace of **home building** hit a four-year high in September, according to a separate government report. The year-over-year sales improvement in September reached 27.1%.

The improvement in the market is part of a broader recovery in real estate, helped by a number of factors all coming together.

Mortgage rates are near record lows, pushed down by the **Federal Reserve's** decision to buy $40 billion in mortgages to spur greater economic growth. The low rates, coupled with years of weak home sales, have resulted in **affordable housing prices**. Recently, **home prices have started to rise**, which is attracting buyers who were waiting for prices to bottom out.

There has also been a **drop in unemployment**, a positive development for people looking for mortgage loans.

Foreclosures have fallen to a five-year low, reducing the supply of distressed homes available on the market.

Related: A new housing boom

"All the housing data has taken a turn for the better," said Steven Ricchiuto, chief economist for MSUSA. "Clearly mortgage rates at such a low level and what appears to be an increase in banks' willingness to make loans has boosted activity off the lows."

New-home sales are an important component of the nation's overall economic activity. Not only do they require people working in construction to build the homes, but they also spur the purchases of appliances, carpeting and other furnishings.

Investment guru **Warren Buffett** said in a television interview Wednesday that the recent recovery in housing is one of the factors making him more optimistic about the U.S. economy.

Related: Is buying rental property now a sure bet?

The median price of a new home sold during the month was $242,400, down 3.2% from the August reading but up 11.7% from a year earlier. The slight decline in the month-over-month price reading was partly due to most of the increased sales coming from the South, a region that has lower prices on average.

The upward pressure on prices over the last year has been helped by the tight supply of new homes on the market. The report showed inventories fell to 4.5 months, the tightest supply of homes since August 2005, near the height of the housing bubble.

Related: Housing is indeed heading higher

The actual number of homes available for sale was little changed, with the tighter supply coming from the stronger sales pace.

"Home builders had previously been content to cut the pace of starts back dramatically and well below the pace of sales, thereby letting the level of new-home inventory decline," said Michael Gapen, economist with Barclays Capital. "That inventory levels have stabilized... suggests that home builders are becoming more comfortable carrying these inventory levels."

Still the pace of new-home sales is still far below the levels seen during the housing bubble of the last decade, when they topped 1 million every year between 2003 and 2006. And Ricchiuto said it'll take a much stronger labor market before he's convinced that housing has turned the corner.

"We have seen false starts before," he said.

Still the report lifted the stocks of many leading home builders, with DR Horton (**DHI**), KB Home (**KBH**) and Toll Brothers (**TOL**), PulteGroup (**PHM**) and Lennar (**LEN**) all rising more than 1% in morning trading. All five of those stocks are up between 70% to 178% so far this year.

Find homes for sale

First Published: October 24, 2012: 10:23 AM ET

Recommended for You

Mortgage rates remain near record lows

Foreclosures fall in 62% of U.S. cities

Q3 GDP: U.S. economy picks up

Chicago Church home for sale for $1.35 million

Around the Web

6 worst home fixes for the money
BankRate.com

$100,000 income: No big deal anymore
Bankrate.com

Crash Course in Startup Fundamentals
The Atlantic

[what's this]

← Back to Original Article

Number of low-price homes plummets in state

Properties priced below $313,200 are increasingly scarce as investor groups crowd out first-time buyers. As foreclosures drop, some parts of the Inland Empire have only one month's home supply.

October 12, 2012 | By Alejandro Lazo, Los Angeles Times

Competition for lower-priced homes in California is so hot that the number of cheaper homes available for sale has sunk more than 40% in the last year, pushing out many would-be buyers.

Homes that sold for $313,200 or less were the most competitive type of home nationally, but nowhere did inventory in that price range drop more than in the Golden State, according to a report released Thursday by real estate website Zillow.

In some parts of the Inland Empire, the supply of homes on the market is down to about a month's worth, real estate agents say. Economists typically consider a six-month supply to be a healthy market.

The decline in homes for sale is frustrating many people interested in jumping into the housing market — home shoppers tantalized by the drop in prices and record-low mortgage interest rates.

Larry Rogers of Riverside, for instance, began the year with what he felt was a solid path toward retirement: buy two homes in the Inland Empire, pay them off before his golden years and live, in part, off the rental income. With a contractor's license, a well-established business, plenty of cash and a high credit score, financing a home is not a problem, he said. The problem is finding one.

Rogers said he has gone into escrow twice and lost out both times, as other buyers have been willing to pay more. He has been shocked by competing investors paying $75,000 to $100,000 more than what he has estimated some homes to be worth.

"The big speculators have pooled all their money; they invest and they bid them up," he said. "It's crazy. Some of them, they pay pretty close to what it's actually probably worth fixed up, but then by the time they put money into it, they are going to be $50,000 to $60,000 over."

Behind the inventory squeeze is a sharp decline in the number of foreclosed homes on the market.

Foreclosure filings fell in September to the lowest level in more than five years, according to a report by RealtyTrac released Thursday. Substantial decreases in California and some other states hard hit by the collapse of the housing bubble helped reduce filings to 180,427 last month, down 7% from August and 16% from a year earlier. The last time filings were that low was in July 2007.

Demand in the West for homes has heated up, according to the Federal Reserve's beige book of economic activity for the 12th District in San Francisco.

"Although still well below its historical average, the sales pace for new and existing homes picked up further in many areas," the Central Bank reported. "Contacts noted that pent-up demand may spur additional gains in coming months. Contacts reported a decrease in the inventory of available homes and a noticeable increase in construction activity."

According to the Zillow report, Central Valley markets have seen the biggest drops in the supply of lower-cost homes, with inventory down 59.7% in Fresno and 55.4% in Sacramento. San Francisco's supply fell 53.2%. In Los Angeles, supply was down 45.1%. Nationally, the bottom tier of homes for sale has had a decline of about 15.3%.

Cheaper homes — particularly foreclosed properties — have become highly attractive to investors, who have developed a sophisticated industry around buying properties, fixing and selling them or renting them out. Renting out foreclosed homes has increasingly emerged as an investment opportunity for Wall Street.

Financiers are busily studying ways to take the single-family home rental business, for years mostly a mom-and-pop affair, and make it a bigger industry. That has made it difficult for first-time shoppers to compete.

Wall Street groups increasingly are exploring ways of taking rental income from foreclosed homes and packaging those income streams into complicated securities, similar to the way big banks, packaged mortgages during the boom years.

The powerful New York-based American Securitization Forum on Wednesday sponsored a seminar examining whether initiatives by the federal government to turn bank-owned homes into rentals would help foster more private investment in the sector.

"First-time home buyers are being squeezed out of the market by falling inventory and the rapid influx of investors looking to buy basic homes to rent out," Zillow chief economist Stan Humphries said. "Investors are paying in cash and can close sooner, which is more favorable to banks and homeowners looking to sell."

While Wall Street has grown interested in low-end homes, real estate agents in California have bemoaned the lack of available properties for sale. Real estate professionals say the state can handle more foreclosures, and they have protested plans by the federal government to sell foreclosed California properties in bulk to investors.

"Sales would be even higher if inventory were less constrained ... particularly in the Central Valley and Inland Empire, where there is an extreme shortage of available homes," LeFrancis Arnold, president of the California Assn. of Realtors, said in a recent forecast distributed by the group. "Sales will be stronger in higher-priced areas, where there are more equity properties and a somewhat greater availability of homes for sale."

James Monks, a sales manager with the Riverside regional office of Prudential California Realty, said that he recently had one shabby, bank-owned home in Moreno Valley receive 64 offers in just five days.

"It was not a spectacular property, it was offered in the low $100,000s and it was probably worth $140,000 or $145,000, and it ended up selling for more than $165,000," he said. "It's not like it's a screaming deal, but it's just folks are willing to overbid."

Monks said that representatives of investor groups with hundreds of millions in Wall Street backing have been pitching him hard.

"Don't sell to regular people — just sell to us," Monks said these investors have told him.

Doug Shepherd, president of the Shepherd Realty Group in Riverside, said that he has one potential buyer with solid credit and a good job in the medical industry. She is qualified with a loan to buy a home up to $250,000. She has not been able to find anything, he said.

"How do you stay competitive? How do you get your offer accepted unless it's 10 or 15 above the asking price, and you have an in with the owner, seller or the agent?" he said. "It is difficult."

alejandro.lazo@latimes.com

Times staff writer Jim Puzzanghera in Washington contributed to this report.

The New York Times

October 11, 2012

V.A. Loans Surge in Fiscal Year

By LISA PREVOST

MORTGAGES guaranteed by the Department of Veterans Affairs surged by 50 percent in the fiscal year ended Sept. 30, as tighter credit standards on conventional financing made these programs all the more attractive to current and former military members.

The department guaranteed almost 540,000 loans in fiscal year 2012, the most since 1994, according to Mike Frueh, the director of loan guarantee service. Compared with five years ago, volume is up some 300 percent.

Low interest rates were part of the draw — about 338,000 of the V.A. loans were for the purpose of refinancing.

Borrowers who already have a V.A.-backed mortgage can get an interest-rate reduction relatively easily. The department’s streamlined refinance program doesn’t require these borrowers to “re-prove” that they qualify, said Nathan Long, the chief executive of Veterans United Home Loans, an online broker of V.A. loans.

“It’s a great benefit not to have to go through all the hoops that you would otherwise have to,” Mr. Long said.

V.A. loans for purchases were up almost 10 percent over the previous fiscal year. For military members who qualify, these home loans offer a financing option that has largely disappeared since the subprime meltdown: no down payment.

“Regardless of where home prices are,” Mr. Long said, “100 percent financing can be a great option for people. We’ve seen 9 in 10 of our borrowers use the full 100 percent.”

Borrowers also benefit in that they don’t have to pay for mortgage insurance. The department does place limits on loan amounts it will guarantee. These range from $417,000 to $1.094 million, depending on the property’s location. In the New York metropolitan area, the limit is $777,500.

The department doesn’t finance its loan programs, but makes them attractive to lenders by guaranteeing a portion of each loan. Individual lenders set the closing costs and the interest rates, which are currently comparable to those on conventional fixed-rate loans. The minimum credit score required to qualify for a V.A. loan is about 620.

Borrowers must also demonstrate that they will have enough monthly income left over after paying personal debts and housing costs to meet levels set by the department for “residual income.” In the Northeast, for loan amounts exceeding $80,000, the residual income level for a family of four is $1,025.

These underwriting standards, while exclusive to the Department of Veterans Affairs, have helped keep the foreclosure rate on its loans much lower than on other loan types, Mr. Long said.

Grant Moon, an Army Reserves captain who served in Iraq, used a V.A. loan to buy his first home, a three-family in Massachusetts, in 2008. He put no money down, and used the rental income to help cover his mortgage.

“I moved in and I was only paying about $300 a month to have my own home,” he said.

Mr. Moon (who has since bought another V.A.-backed house in New Jersey) is now the president of VA Loan Captain, an online service that allows veterans to compare interest rates and terms among lenders.

“We prescreen the lenders and make sure they aren’t trying to take advantage of veterans,” he said.

While V.A. loans can be beneficial to military members with few assets, they are not always the best option. Although the V.A. doesn’t require mortgage insurance, it does charge a funding fee, which can cost more than 3 percent of the loan amount. Paying that fee might not be prudent for a borrower who plans to be in the home for a short period of time, Mr. Moon said.

Disabled veterans may be exempt from the fee.

Given the growing popularity of V.A. loans, the department expects to hit a major milestone this month, when it will very likely guarantee its 20 millionth veteran.

latimes.com/business/realestate/la-fi-harney-20121021,0,6669799.story

latimes.com

Freddie Mac warns of bogus landlords renting out foreclosed homes

By Kenneth R. Harney

October 21, 2012

WASHINGTON — No one wants to take the blame for the housing bust in this political season, but scammers and rip-off artists in the hundreds are working overtime to siphon dollars out of the wreckage of the crash and its still-vulnerable victims.

You've probably heard about the loan-modification predators who promise financially ailing homeowners that they'll prevent or forestall foreclosures —but are really after thousands of dollars in fees, for which they do nothing.

Now the second-largest source of mortgage money in the country — Freddie Mac — is warning about a troubling wave of post-crash fraud: scammers who illegally rent out foreclosed and for-sale homes to unsuspecting consumers. The bogus landlords don't own the properties — Freddie does — and they have no right to offer them to anyone. But they use Craigslist and other websites to advertise them to prospective tenants.

Typically the rents are tantalizing — say $1,200 a month for a three-bedroom home in a neighborhood where similar houses command double that — and the terms are straightforward: Pay us a security deposit and one or two months' rent upfront — always in cash or money order — and we give you the keys, no questions asked. The fraud promoters sometimes change the locks on the front door, remove the lockbox installed by the real estate agent marketing the house for Freddie Mac and tell prospects: Oh, and don't worry about that real estate sign in the front yard offering the house for sale. We tried to sell the house but it didn't work out, so now we're renting it.

According to real estate brokers working with Freddie, this type of scam can bilk unwary rental home shoppers — some of whom have lost their own homes to foreclosure or short sales — out of hundreds or thousands of dollars. Robert O'Hara, a foreclosure specialist with Re / Max Synergy in suburban Chicago, said one victim told him that she lost a total of $10,000 in upfront fees and rental payments to a fraudulent landlord before she was forced to leave the property.

"This is happening all over the place, in every price range," O'Hara said. "They take the victim's money and disappear."

Sometimes the tenants don't even get the keys; they fill out a fake lease application, disclose sensitive personal information such as their Social Security number and financial data, send the money and never hear a thing again.

Other times they move in and are later discovered by property managers or the real estate agent who listed the house for sale. If they refuse to move out, they're evicted, although in some areas of the country, this can take a long time.

Foreclosure rental scams are becoming a significant problem, said Robert Hagberg, Freddie Mac's associate director of fraud investigations, in part because of the sheer number of foreclosed properties on the market for sale. Freddie Mac had more than 53,000 houses — spread from California to the East Coast — listed for sale, under contract or being readied for sale as of June 30. Hagberg estimated that there have been dozens of houses recently affected by foreclosure rental scams. During the last few months alone, he added, there have been more frauds of this type than were reported in all of 2011.

Another reason foreclosure scams are becoming more commonplace: In the backwash of the worst economic downturn since the 1930s, rental markets are unusually competitive in many cities. People who would have purchased or owned homes before are now shopping for deals on rental houses and condos. When they check out what appears to be a legitimate listing online — with photos and detailed property descriptions, plus a bargain rent — they bite.

For consumers shopping for rental homes and condos who want to avoid getting ripped off, here's what Freddie Mac recommends:

• Check to make sure the property is not already listed for sale. Google the house address and drive by to see if there are for-sale signs posted. You can also check Freddie Mac's foreclosure listings at http://www.homesteps.com.

• If you discover that the "rental" is already listed for sale, notify the listing agent immediately.

• Under no circumstances should you submit an online lease application, including personal credit data, until you have verified that the house is a bona-fide rental. Otherwise, you risk losing not only upfront deposits and rent payments to swindlers but also your financial identity.

kenharney@earthlink.net

Distributed by Washington Post Writers Group.