

## Watchdogs warn of real estate investment offer

### Duo seeks buyer names and credit histories for Florida properties

Tuesday, July 12, 2005

By [Janis Mara](#)  
[Inman News](#)

A real estate investment partnership in Florida seeking the names and credit histories of new buyers to use in real estate purchases could leave borrowers stuck footing the mortgage bill, an industry watchdog warns.



An ad, which went up on eBay at the end of June, sought investors with good credit and offered individuals up to \$18,000 to participate in real estate deals with Charles Gunter Jr., a Florida licensed mortgage broker, and Bruce Sarafian, a Florida licensed real estate sales associate.

The two men are seeking individuals willing to buy investment property in central Florida as part of an arrangement with them and are offering \$7,000 for one deal, \$11,000 for two, \$14,000 for three and \$18,000 for four, according to the ad.

Here's how the arrangement purports to work: After the purchase of a property closes, the property would go into a trust, the ad said, and Gunter and Sarafian pledged to find renters to live in the homes and cover the mortgage by paying rent. Then the two would sell the property a couple of years later, according to Gunter.

The eBay ad read, "Your part is simply to qualify for the loan," adding that Gunter and Sarafian will manage, maintain and sell the property "with no work on your part," most likely lease/optioning the property for one or two years before re-selling.

Mortgage fraud watchdogs warn that such arrangements are known as "straw buyer" deals and investors who lend their names and credit histories could be responsible for paying off mortgages on properties over which they have no control.

A "straw buyer" is recruited – sometimes without his or her knowledge, when his or her identity is appropriated, or sometimes for pay, as in this arrangement – only for their name and their credit for a real estate loan, said Bill Matthews vice president and general manager of the Mortgage Asset Research Institute, a group endorsed by the Mortgage Bankers Association that keeps track of mortgage fraud.

#### Become a Member of Inman News

- Access 30,000 articles
- Weekly print newsletter
- Special reports
- Reprint rights
- Audio content
- Members discounts

[Sign up now!](#)

"You thought you'd seen it all when people attempted to sell body parts on eBay. Now it's straw buyers," he said.



Bill Matthews,  
Mortgage

When Matthews saw the ad he sent an alert to lenders through the company's Mortgage Fraud Alert Service.

Gunter, the mortgage broker involved in the deals, in an interview with *Inman News* defended his business plan, and said that all of his ventures have been successful.

"We find legitimately underpriced houses and we do investor loans," Gunter said. "The properties are being bought as an investment."

Asset  
Research  
Institute

Gunter claims that he and his partner have been successfully making these types of loans for a year and half. "We've made between 20 and 30 loans," Gunter said. "We do rent-to-own. That seems to be a pretty big market these days."

The ad is no longer on the eBay site, but the text of the ad appears on the Web site of Gunter and Sarafian's company, [Livewire Properties](#). Gunter and Sarafian are, respectively, president and vice president of Livewire Properties in Longwood, Fla.

Such arrangements are potentially disastrous for the straw buyer, according to Rachel Dollar, an attorney at The Dollar Law Firm, a mortgage banking law firm. The straw buyer ends up responsible for the mortgage payments, but with no control over how the property is managed, she said.

In such arrangements, Dollar said, the property is put in a trust immediately after closing. "Because it's in a trust, it's less likely to be noticed by a lender," the attorney said. "The trustees would have the right to dispose of the property or do anything they want with it. But they don't have an obligation to the lender to pay the mortgage."



Rachel  
Dollar, The  
Dollar Law  
Firm

"Such arrangements are a perfect way to insulate yourself from the ups and downs of the housing market," said Dollar. By putting the property into a trust, the buyer can't control what happens to it but would be responsible for the mortgage payments if something should go wrong, Dollar said.

Gunter acknowledged that borrowers would be responsible if the mortgage payments stopped, and claims he and his partner make that clear to everyone involved. "No one is ever forced to do anything," he said.

Gunter refused to give the names of lenders he works with or addresses for properties the group has invested in using this type of arrangement.

"We use our own family. I've worked with my dad, my partner worked with his uncle and I with my grandmother," he said.

His partner, Sarafian, received his Florida real estate license on Dec. 29, 2004, according to the [Florida Department of Business and Professional Regulation](#). The two have known each other for 10 years, Gunter said.

They chose to advertise for investors on eBay so they could increase their number of real estate deals, Gunter said.

"We do it as a no-doc loan to make sure the loan and the mortgages are legit," Gunter said. "Once we get the house we put your name on it and once the house closes we take over the management of the house. We recruit the tenants with newspaper ads and signs in the yard."

He said the rent usually is around break-even with the mortgage payments, "give or take a hundred bucks or so. The money comes in when we satisfy the loan and sell the house. We are waiting out the appreciation a little bit."

\*\*\*

**Send tips or a Letter to the Editor to [janis@inman.com](mailto:janis@inman.com) or call (510) 658-9252, ext. 140.**

Copyright 2005 [Inman News](#)

[Back](#)

[Top](#)

[Send to Printer](#)