SCR-24 — "We Buy Houses for Cash" Private Lending & Equity Trap Guide

A Complete Handbook and Web Resource for Homeowners, Heirs, and Private Real Estate Lenders

Published by Wounded Duck Studios LLC & SCAMREALESTATE.COM
Author: Mark Druckmiller, REALTOR®, Real Estate One (Saline / Washtenaw County, Michigan)

Consumer & Investor Defense: Unmasking Predatory Wholesalers, Phantom Cash Buyers, and Private Lending Fraud

Executive Summary: The "Fast Cash" Illusion

Bright yellow signs taped to streetlamps and cardboard posters stapled to telephone poles: "WE BUY HOUSES CASH! ANY CONDITION! CLOSE IN 7 DAYS!"

For distressed homeowners facing mounting medical debt, foreclosure notices, divorce, or the overwhelming burden of an inherited hoarder house, these ubiquitous advertisements promise a stress-free exit. There are no showings, no repair demands, no appraisal contingencies, and no Realtor commissions.

However, behind the folksy marketing lies an aggressive, largely unregulated real estate underworld: **predatory wholesaling and fraudulent private lending syndicates**.

The scheme cuts both ways, victimizing two distinct groups:

- **Victimizing Homeowners (The Predatory Wholesale Trap):** Unlicensed operators pose as direct cash buyers. In reality, they have zero intention and zero capital to buy the property. They tie up the home with a predatory purchase contract and a nominal $10 earnest money deposit. If they cannot flip ("assign") the contract to a third-party investor for a quick $15,000 to $30,000 assignment fee, they cancel the deal on the morning of scheduled closing, leaving the homeowner in default and facing foreclosure. Worse, some record "Memorandums of Option" in county deed records, clouding the homeowner's title and preventing them from selling to anyone else.
- **Victimizing Private Lenders (The Multi-Lien Ponzi Trap):** Rogue operators solicit retail investors and retirees to loan money on these flip properties, promising first-position deeds of trust. They systematically

fail to record the deeds, pledge the same single-family house to multiple lenders simultaneously, and secretly sell the home using forged lien releases.

In September 2026, federal prosecutors in Dallas dismantled a massive example of this fraud: Charles Carrier—former president of C&C Residential Properties, operating under the nationally recognized "We Buy Ugly Houses" franchise—was sentenced to **188 months (over 15 years) in federal prison** and ordered to pay **$24,416,911.16 in restitution** for orchestrating a $39.5 million scheme that defrauded over 80 private lenders and retirees.

This handbook details how to distinguish legitimate buyers from predatory wholesalers, contractual safeguards for sellers, and title protections for private lenders.

Section 1: The Two Modalities of the "We Buy Houses" Scam

Modality A: The Wholesaler Assignment Trap (Targeting Homeowners)

1. **The Lowball Contract:** The wholesaler knocks on the door of an elderly or distressed homeowner, offering $120,000 cash for a home worth $240,000.
2. **The "And/Or Assigns" Clause:** Buried in the buyer name block is the phrase: *"John Doe and/or assigns."* This legal loophole allows the operator to resell the purchase contract to another investor without ever buying the house.
3. **The 30-Day Inspection Exit Hatch:** The contract includes an open-ended "inspection contingency" with a nominal $10 deposit.
4. **The Ghosting Exit:** For three weeks, the wholesaler parades dozens of contractor "inspectors" through the home (who are actually third-party investors). If no investor agrees to pay $140,000 (which would yield a $20,000 wholesale fee), the wholesaler exercises their inspection clause on Day 29, cancels the contract, and walks away. The homeowner has lost valuable time and may now face a scheduled sheriff’s auction.

Modality B: The Unrecorded Collateral Scheme (Targeting Private Lenders)

1. **The Pitch:** The operator raises private loans to fund acquisitions, promising: *"Your $100,000 loan is fully secured by a recorded first-position deed of trust on 456 Oak Street."*
2. **The Unrecorded Lie:** The operator pockets the loan funds but never records the deed of trust with the county clerk.
3. **Overlapping Liens:** The operator issues three more "first mortgages" on 456 Oak Street to separate lenders, collecting $400,000 on a $150,000 house.
4. **Secret Closings & Forged Releases:** When the home is flipped, the operator sells it to an end-buyer, forging lien releases or taking advantage of the clean title records, pocketing the sale proceeds while paying interest to lenders out of newer investor funds.

Section 2: The 5 Red Flags of a Predatory Cash Buyer

Watch for these warning signs before signing a cash offer:

Red Flag	Predatory Wholesale Feature	Legitimate Institutional Cash Buyer
1. "And/Or Assigns" Clause	Buyer line includes "and/or assigns" or language allowing contract transfer.	Buyer is the explicit, direct purchasing entity with no assignment rights.
2. Nominal Earnest Money	Offers $10 to $100 in earnest money held by the buyer personally.	Submits $2,500 to $10,000+ in earnest money held by an independent title company.
3. Open-Ended Inspection Periods	21-to-30-day inspection contingency on an "As-Is" cash contract.	3-to-7-day inspection period, or waives inspections completely on "As-Is" terms.
4. Parade of "Partners"	Constantly brings unfamiliar third parties through the home claiming they are "contractors."	Legitimate buyer conducts a single inspection with verifiable company principals.
5. Price Chipping Before Closing	Days before closing, demands a $20,000 to $40,000 price reduction or threatens to walk.	Honors contracted purchase price without last-minute renegotiation tactics.

Section 3: Essential Contractual Protections for Homeowners

If you negotiate with a cash home buyer, insist on these four contract clauses:

1. Non-Assignment Clause

- Cross out "and/or assigns." Add this clause:
- *"This Agreement is personal to Buyer and may not be assigned, transferred, or conveyed in whole or in part without the prior express written consent of Seller. Any attempted assignment without consent shall render this Agreement null and void."*

2. Substantial Non-Refundable Earnest Money

- Mandate a minimum **$2,500 to $5,000 earnest money deposit** deposited with an independent, licensed title company within 48 hours of mutual execution.
- Make the deposit non-refundable after a short 5-day inspection period. Wholesalers who cannot assign contracts will immediately refuse this requirement.

3. Proof of Funds Verification

- Require an unredacted, certified **Bank Letter / Proof of Funds** in the buyer’s corporate name showing liquid cash equal to the full purchase price.
- Reject generic "pre-approval letters" from obscure hard-money lenders.

4. Consult a Licensed REALTOR® for Fair Market Valuation

- Before accepting any cash offer, consult a licensed real estate professional to run a **Comparative Market Analysis (CMA)**.
- Understand your home’s true market value: selling on the open MLS—even in poor condition—often nets sellers **$30,000 to $80,000 MORE** than a lowball wholesale cash offer, even after paying standard

brokerage commissions.

Section 4: Emergency Response Protocol — If Clouded by a Memorandum

If a predatory wholesaler files an unauthorized "Notice of Option" or "Memorandum of Contract" against your deed:

1. **Serve a Notice of Default and Contract Termination:** Have a real estate attorney serve a formal notice declaring the contract terminated due to buyer default or expiration of contingencies.
2. **Demand Immediate Recording of a Quitclaim Deed / Release:** Issue a formal 10-day statutory demand requiring the wholesaler to record a release of memorandum.
3. **File a Slander of Title Lawsuit:** If the wholesaler refuses to release the cloud to extort an "assignment payout," file an emergency action for Slander of Title and Quiet Title in circuit court. Courts routinely award attorney fees and damages against predatory wholesalers who cloud titles in bad faith.

© 2026 Wounded Duck Studios LLC & ScamRealEstate.com. General consumer education only — not legal or financial advice. Questions: irving@woundedduckstudios.com · Call or text 657-305-5210