What is a Nominee Loan?

by Isaac Benmergui, Esq on May 15, 2015

During the housing boom, the nominee loan was large part of many mortgage fraud schemes. An individual with good credit would take out a loan, and then forward the funds to another individual who then makes the payments and actually lives in the home. Often, nominee loans were made using bank insiders, since they had access to funds with preferential terms. Nominee loans can be legal in some cases where there is total transparency, but more often than not can get you into legal trouble.

If you want to buy a house or property and don't qualify for a loan, you don't have to resort to using someone else's good credit to get one. Using a co-signer is a legal way to borrow someone else's credit score to help you get into a home. Plus, you get the benefit of improved credit when you make payments on time and pay off your loan. If you get a loan using a nominee buyer, you get no benefit to your credit score for making those timely payments.

However, if a friend of family member asks you to serve as a cosigner, think twice. As a cosigner, you are agreeing to be held legally liable for that debt in the event that the primary account holder defaults. If that primary account holder ends up with medical debt or gets divorced and needs to file bankruptcy, that debt will become your responsibility if it is discharged.

Call Miami Real Estate Lawyer Isaac Benmergui at 305.397.8547 and set up a no charge, no obligation consultation to discuss your case. We have close to 10 years of experience handling Real Estate, Personal Injury, Immigration and Commercial Litigation cases throughout Miami and South Florida, and will use our expertise to help your case to the best of our abilities.