

SLIDE 11 - Mortgage Fraud (Cover Page)

SLIDE 12

Fraud in Lending

Fraud is a deception against another person.

Shams come in the form of:

- An act
- An expression
- An omission
- A concealment
- A misrepresentation

SLIDE 13

The FBI lists two type of categories of mortgage fraud:

- Fraud for profit
- Fraud for housing

SLIDE 14

Fraud for Profit

Involves criminals with intent to deceive

- Individuals who do not intend to pay back loan
- Objective is to inflate the value of property
- Provide false income and credit info
- Remove the equity
- Abandon the home and payments

SLIDE 15

Fraud for Housing

Borrower is the perpetrator

- Owns home under false pretenses
- Falsifies supporting loan documents

SLIDE 16

Straw Borrower

Imposter

- Acts like real borrower
- Allows the use of their name
- Allows the use of their credit history
- Real borrower kept secret to gain loan approval

SLIDE 17

Sales Contract Fraud

- Sales agreement should be checked by lender for validity
- Sales agreement should be specific:
 - Borrower different from purchaser
 - Sales price way below market value
 - No realtors involved
 - A second mortgage is shown
- One or more realtors handle transactions

SLIDE 18

Appraisal Fraud

Appraisal fraud occurs when pressure is placed on appraiser to inflate values.

Sometimes individuals in the real estate industry “convince” the appraiser to embellish a value with promises of:

- Continued appraisal requests
- Cut of the illegal profits

SLIDE 19

Quality Control

Quality control tactics

- Personnel trained to detect and prevent fraud
- Quality control program
- Updates on compliance info
- Document checklist
- Fraud detection practices

Red flag situations

SLIDE 20

Quality Control

Freddie Mac has established practices for fraud prevention on their website

- Includes a mortgage screening checklist
- FBI – Financial Crimes Report, details their focus on fraud crimes
- Financial Institution Fraud Unit identifies mortgage fraud as a principal target
- Separate forms for reporting “Origination” and “Servicing” fraud