



One major problem

Believe it or not, some mortgage fraud involves many participants; some willing, some not.

They include: lenders, appraisers, escrow agents, real estate brokers, borrowers, credit agencies, ID thieves and the FBI.

Special Agent Bill Stern, the FBI's mortgage fraud coordinator in Washington, DC, recently stated that mortgage fraud is up 62% compared to 2006. Because many lenders do not report every instance of suspected fraud, the real numbers are believed to be much higher.

3 types of mortgage fraud

Predatory Lending

According to www.USPIRG.org, predatory lending typically effects senior citizens, lower income and challenged credit borrowers. In most cases, the borrowers are forced to pay exorbitant loan fees, sub-prime interest rates and unreasonable service fees. Often the borrower defaults on his mortgage payment or is forced to refinance.

Defrauding Mortgage Lenders

According to the FBI, the motive here is to revolve equity, falsely inflate the value of the property or issue loans based on fictitious properties. And 80% of all reported fraud losses involve collusion by industry insiders.

Fraud For Housing

This type of fraud typically done by a borrower who misrepresents his income or employment history to qualify for a loan.



10 signs of mortgage fraud

1. Were you encouraged to include false information on the application?
2. Were you asked to leave signature lines or other important line-item of any form blank? Did the lender or broker alter any information on the loan application?
3. Are any of the following disclosures missing in the loan file? Good Faith Estimate...Special Information Booklet...Truth in Lending...HUD-1 Statement
4. Is the loan amount on the loan higher than the value of the home?
5. Was the loan refinanced several times, and in each instance increases either the monthly payment and/or the total amount owed on the home?
6. Does the documents reveal the interest rate calculation will change to require payment of "daily interest" in instances when payments are late?
7. Are any unexpected and unexplained costs incurred at settlement?
8. After settlement, was the homeowner surprised to find that the monthly mortgage payments higher than anticipated based on the initial disclosures?
9. Will you need to finance the final lump-sum of a balloon loan?
10. Were you required to buy credit insurance? (Note: Credit insurance is optional and will not affect your loan decision if you decline to buy it. It can, however, add considerable cost to the loan transaction.

(source: www.StopMortgageFraud.com)

***In limited professions
there's boundless theft.***

~ Shakespeare

Protect your identity

According to the Federal Trade Commission (FTC), mortgage fraud is intertwined with Identity theft, the fast growing crime in the nation.



Here are some alarming statistics for 2006

- Over 32 millions ID's were stolen in the first six months. (Privacy Rights Clearinghouse)
- 15% of the identity theft victims are dealing with criminal identity theft. (Source: FTC)
- www.calpirg.org states Id theft cost consumers \$5 billion and 300 million hours of time.
- According to www.PrivacyRights.org many identities are stolen by "Phishing" emails that appear to be from a financial institution, with the return e-mail or linked web site looking like it came from a legitimate company.

To learn more about phishing the FTC suggests visiting www.OnGuardOnline.gov.

Know your rights

People need to guard their FICO Score like they guard their money.

Each year you have the right to a free credit report. And reviewing your credit report is one way to be proactive about guarding your FICO Score. To learn more go to: <http://www.ftc.gov/bcp/conline/edcams/freereports/index.html>

6 elements of mortgage fraud

Silent Second - The buyer borrows the down payment from the seller through the issuance of a non-disclosed second mortgage. The lender falsely believes the borrower has invested his own money in the down payment. The second mortgage may not be recorded, concealing its status from the lender.

Property Flipping - Property is purchased, falsely appraised, and quickly sold. They can include: fraudulent appraisals, doctored loan docs, inflated buyer income. Kickbacks to buyers, investors, property/loan brokers, appraisers, title company employees are common.

Foreclosure Schemes - A homeowner who is at risk of losing their property thru foreclosure is misled into believing that they can save their homes in exchange for a transfer of the deed and up-front fees. The perpetrator profits from these schemes by re-mortgaging the property or pocketing fees paid by the homeowner.

Nominee Loans/Straw Buyers - The identity of the borrower is concealed via a nominee who allows the borrower to use the nominee's name and credit history to apply for a loan.

Equity Skimming - An investor uses a straw buyer, false income documents, and false credit reports to obtain a loan. Prior to closing the straw buyer signs the property over to the investor in a quit claim deed, relinquishing all property rights. The investor doesn't make any mortgage payments and rents the property until foreclosure.

Air Loans - This is a non-existent property loan where there is usually no collateral. A broker invents borrowers and properties, establishes accounts for payments, and maintains custodial accounts for escrows.