



Hot Spots and Red Flags

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MARI “Hot Spots”

MARI - Mortgage Asset Recovery Institute

Top 10 States Reporting Highest MARI Fraud Index 2000-2003

- Georgia
- Nevada
- Florida
- South Carolina
- Utah
- California
- Illinois
- Colorado
- Missouri
- Michigan

Top 10 States Reporting Highest MARI Fraud Index 2001-2004

- Georgia
- South Carolina
- Florida
- Utah
- North Carolina
- Missouri
- Nevada
- Texas
- Illinois
- Michigan



MARI “Hot Spots”

MARI - Mortgage Asset Recovery Institute

Top 10 States Reporting Highest MARI Prime Lenders Fraud Index 2001-2004

- South Carolina
- Georgia
- North Carolina
- Missouri
- Florida
- Texas
- Utah
- Illinois
- Michigan
- Indiana

Top 10 States Reporting Highest MARI Subprime Lenders Fraud Index 2001-2004

- Georgia
- Florida
- South Carolina
- Nevada
- Utah
- Michigan
- New York
- Arizona
- Mississippi
- North Carolina



Interthinx “Hot Spots”

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“Possible Fraud” Statistics

There has been more than a 10% increase from 2003 to 2004 in loans containing possible misrepresentations in the following states:

- California
- Connecticut
- Florida
- Maryland
- Nevada
- New Jersey
- New York
- Virginia

None of the results contained herein reflect either civil or criminal cases of fraud proven in a court of law. The results are comprised from data provided by Interthinx clients, internal and external Interthinx data sources, Interthinx product scoring results, and human decision making logic. The results reflect a significant variance between borrower provided data and the other data sources generally set forth above, and are indicative of a greater potential for misrepresentation.

Occupancy Fraud

On primary residence financing, review documents for the following red flags:

- Value of current residence exceeds subject property

- Borrower owns multiple investment properties in the same area as the subject property
 - Borrower has obtained properties under owner-occupied terms within the past 12 months but these properties are now investment homes

- Borrower has obtained other properties, which are currently investment homes, within the past 3 years



Occupancy Fraud

- Borrower has obtained another property (ies) in the same or similar neighborhood within the past 3 years and occupied it (them) less than 12 months
- Borrower occupying a SFD while subject property is a multi-unit property without a reasonable explanation provided
- Current residence to be sold or rented but no supporting documentation is provided

Occupancy Fraud

- Inordinate amount of real estate owned by occupying borrower
 - Multiple properties obtained in a short period of time
- Buying down to a less expensive or smaller property
- An unrealistic or significant increase in commute distance between current residence, subject property and employer on primary residence purchases
- Borrower currently residing with relatives
- Borrower currently living rent-free



Property Value

- Appraisal is ordered by someone other than originator (borrower, seller, realtor, etc.)
- “Appraisal prepared for: _____” left blank
- Names of owner and borrower are not consistent with purchase contract or title report (or have been left blank)
- Current occupant of subject is listed as tenant, unknown, or owner of record on an owner-occupied transaction
- Appraisal dated prior to purchase contract



Property Value

- Appraisal dated prior to application (especially in a retail lending operation)
- Issues with appraiser's license (appraiser not licensed, license expired or revoked prior to appraisal date)
- Market approach value exceeds replacement cost approach by a significant margin
- Land value is excessive for market
- Previous sales history on subject and comparables cannot be verified through public records (or public records indicate recent sales that are not reflected on appraisal)
- Comments on appraisal indicate there are issues or problems with the property that were not accounted for in the comparable adjustments



Identity Misrepresentation

Review the signatures for the borrower and seller between documents signed at different times in the loan process. If variances are noted, escalate the file to the next level of review. If groups of loans are found with the same parties, review the signatures between documents in each file. If variances are noted, escalate all files in the group to the next level of review:

- Borrower signature inconsistencies on the Purchase Contract, Contract Addendums, initial application and disclosure documents, letters obtained during processing, closing documents, and documents obtained after closing
- Seller signatures on the Purchase Contract, Contract Addendums, title transfer and other closing documents

Identity Misrepresentation

- Other signatures to consider:
 - Landlord signatures on Verification of Rents from the same landlord or rental complex employee
 - Depository signatures on Verification of Deposits or Verification of Mortgages for the same financial institution employee
 - Employer signatures on Verification of Employment forms for the same human resources representative

- Compare signatures for the same individual to determine if they are *exactly* the same which may indicate a signature from one document was “lifted” and placed on another document; the signer did not actually sign all documents

Identity Misrepresentation

- Social Security Number Issues
 - Invalid Number
 - Number had been used in a death benefit claim
 - Issue date does not coincide with age
 - Issued prior to date of birth
 - Issued significantly after date of birth and borrower is not an immigrant