



# Problem

- **64% of all mortgage fraud is income or identity related**
- **Harvested data can be manipulated**
- **Not stopping income or identity fraud early in the underwriting process results in wasted precious underwriting man-hours**

# Solution

**Verify – Verify – Verify**

**The only true verification is from the  
“source”**

- **IRS for income verification**
- **SSA for identity verification**

# Rapid Reporting's Solutions



**Goes to the only place SSNs are issued- the SSA**

**Goes to the only place income is reported- the IRS**



**The only true verification is from the "source"**



*Income Verification*

# What information is available?

## **24-48 Hour Availability**

**Form 1120's (Corporate tax returns)**

**Form 1040's (Personal tax returns)**

**Form 1065's (Partnership tax returns)**

## **2-7 Business Day Availability**

**W-2 Information**

**1099 Information**

*\*Three (3) years of each form are available per order.*

# IncomeChek Process:

- **IRS Form 4506-T is completed**
- **Order submission**
  - Facsimile... with personalized order form
  - XML/RPC... with field data & embedded docs
- **Confirmation email upon receipt**
- **Online tracking & electronic posting**
- **E-mail notification of results posted**



INTERNAL REVENUE SERVICE

Department of the Treasury

Tax Return Listing

Taxpayer Identification Number:

Tax Period: December 31, 1999

Filing Status: Married filing joint

Exemptions: 3

Form 1040

LN 7	WAGES	31,501
LN 8a	TAXABLE INTEREST: SCH B	1,426
LN 8b	TAX-EXEMPT INTEREST	0
LN 9	DIVIDEND INCOME: SCH B	506
LN 10	REFUNDS OF STATE/LOCAL TAXES	0
LN 11	ALIMONY RECEIVED	0
LN 12	BUSINESS INCOME OR LOSS: SCH C	12,238
LN 13	CAPITAL GAINS OR LOSS: SCH D	0
LN 14	OTHER GAINS OR LOSSES: F4797	0
LN 15a	GROSS IRA DISTRIBUTIONS	0
LN 15b	TAXABLE IRA DISTRIBUTIONS	0
LN 16a	GROSS PENSION/ANNUITY AMOUNT	0
LN 16b	TAXABLE PENSION/ANNUITY AMOUNT	0
LN 17	RENT/ROYALTY/PARTNERSHIP/ESTATE	0
LN 18	FARM INCOME OR LOSS: SCH F	0
LN 19	UNEMPLOYMENT INCOME	0
LN 20a	GROSS SOCIAL SECURITY BENEFITS	0
LN 20b	TXBL SOCIAL SECURITY BENEFITS	0
LN 21	OTHER INCOME	0
ADDITIONAL F8814 NET INCOME		0
LN 22	TOTAL INCOME	45,671
LN 23	IRA DEDUCTION	0
LN 24	STUDENT LOAN INTEREST DEDUCTION	0
LN 25	MEDICAL SAVINGS ACCT DEDUCTION	0
LN 26	MOVING EXPENSES: F3903	0
LN 27	SELF-EMPLOYMENT TAX DEDUCTION	864
LN 28	SELF-EMP HEALTH INS DEDUCTION	0
LN 29	KEOGH/SEP CONTRIBUTION DEDUCTION	0
LN 30	EARLY WITHDRAWAL OF SAVINGS PNLTY	0
LN 31	ALIMONY PAID SSN: 000-00-0000	0
EDIT OTHER ADJUSTMENTS		0
LN 32	TOTAL ADJUSTMENTS	864
LN 33	AGI	44,807.00
LN 39	TAXABLE INCOME	26,815.00
LN 40	TENTATIVE TAX	4,324.00
ADDNL FORM 8814 TAX AMT		0.00
LN 41	CHILD & DEP CARE EXP: F2441	0.00
LN 42	CR ELDERLY AND DISABLED: SCH R	0.00
LN 43	CHILD TAX CREDIT	500.00
LN 44	EDUCATION CREDIT: F8863	0.00
LN 45	ADOPTION CREDIT: F8839	0.00
LN 46	FOREIGN TAX CREDIT: F1116	0.00
LN 47	GENERAL BUSINESS CREDITS	0.00
MORTGAGE CERTIFICATE CR		0.00
FORM 1040C CREDIT		0.00
PRIOR YR MIN TAX CREDIT: F8801		0.00
OTHER STATUTORY CREDITS		0.00
LN 48	TOTAL STATUTORY CREDITS	500.00
LN 50	SELF-EMPLOYMENT TAX	1,729.00
LN 51	ALTERNATIVE MINIMUM TAX	0.00
LN 52	FICA ON UNREPORTED TIPS	0.00
UNPAID FICA ON REPORTED TIPS		0.00
TOT SS/MEDICARE WITHHELD: F8812		0.00
LN 53	TAX ON EARLY DISTRIBUTION-F5329	0.00
LN 54	ADVANCED EIC	0.00
LN 55	HOUSEHLD EMPLOYMENT TXES: SCH H	0.00
LN 56	TOTAL TAX LIABILITY	5,553.00
ACCUM DISTR OF TRUSTS: F4970		0.00
LN 57	FEDERAL INCOME TAX WITHHELD	3,059.00
LN 58	ESTIMED TX PMTS & AMT PRV APPLD	1,110.00
LN 59	EARNED INCOME CREDIT	0.00
NONTAXABLE EARNED INCOME		0.00
LN 60	ADDITIONAL CHILD TAX CR: F8812	0.00
LN 61	AMOUNT PAID WITH F4868	0.00
LN 62	EXCESS SOC SEC/RRTA TAX WITHHLD	0.00
LN 63	CR FOR FED TX ON FUELS: F4136	0.00

LN 64	TOTAL PAYMENTS	4,169.00
LN 66a	REFUND AMOUNT	0.00
LN 67	APPLIED TO 2000 ESTIMATED TAX	0.00
LN 68	AMOUNT YOU OWE	1,384.00
LN 69	ESTIMATED TAX PENALTY	0.00

Schedule A

LN 1	MEDICAL AND DENTAL EXPENSES	1,575
LN 4	NET MEDICAL DEDUCTION	0
LN 5	STATE AND LOCAL INCOME TAXES	1,706
LN 6	REAL ESTATE TAXES	1,526
LN 9	TOTAL TAXES	3,292
LN 10	MORTGAGE INTEREST (FINANCIAL)	4,360
LN 11	MORTGAGE INTEREST (INDIVIDUAL)	0
LN 12	DEDUCTIBLE POINTS	0
LN 13	DEDUCTIBLE INVESTMENT INTEREST	0
LN 14	TOTAL INTEREST DEDUCTION	4,360
LN 16	OTHER THAN CASH: F3283	30
LN 17	CARRYOVER FROM PRIOR YEAR	0
LN 18	TOTAL CONTRIBUTIONS	90
LN 19	CAS OR THEFT LOSS: F4684	0
LN 23	TOTAL LIMITED MISC EXPENSES	140
LN 26	NET LIMITED MISC DEDUCTION	0
OTHER THAN GAMBLING AMOUNT		0
LN 27	OTHER MISC DEDUCTIONS	0
LN 28	TOTAL ITEMIZED DEDUCTIONS	7,742.00

Schedule C

ACCT MTHD: 1		
FIRST TIME SCH C FILED?: 0		
EIN: 00-0000000		
STATUTORY IND: N AT RISK CD: 1		
NAICS CODE: 999999		
LN 1	GROSS RECEIPTS OR SALES	17,452
LN 2	RETURNS AND ALLOWANCES	0
LN 4	COST OF GOODS SOLD	0
LN 6	OTHER INCOME	0
LN 10	CAR AND TRUCK EXPENSES	0
LN 13	DEPRECIATION	0
LN 16a	MORTGAGE INTEREST	0
LN 17	LEGAL AND PROFESSIONAL SERVICES	0
LN 21	REPAIRS AND MAINTENANCE	0
LN 24a	TRAVEL	0
LN 24d	NET MEALS AND ENTERTAINMENT	0
LN 26	WAGES	0
LN 27	OTHER EXPENSES	322
LN 28/2	TOTAL EXPENSES	5,214
LN 30	EXP FOR BUSINESS USE OF HOME	0
LN 35	INVENTORY AT BEGINNING OF YEAR	0
LN 37	COST OF LABOR	0
LN 41	INVENTORY AT END OF YEAR	0

Schedule SE

SSN OF SELF-EMPLOYED TAXPAYER		0
LN 1	NET FARM PROFIT/LOSS: SCH F	0
LN 2	NET PROFIT/LOSS: SCH C/N1	12,238
LN 3	TOTAL SE INCOME	12,238
LN 5a	TENTATIVE CHURCH WAGES	0
LN 8c	TOTAL SOC SEC & RR WAGES	0

# Income Fraud Statistics

Prepared By Jim Griswold

(former QA Manager of North American Mortgage Company)

- NAMC spent \$484,680 to process 32,312 4506-Ts
- 839 instances of fraud were detected
- NAMC had an average fraud loss of \$25,000 per occurrence.
- NAMC saved \$20,975,000 in fraud losses
- For every dollar spent (\$484,680) a return of \$43.27 was added to the bottom line



*Stated Doc & Stated Income*

# What is the Stated Doc/Income Program?

- Allows users to confirm filing of tax returns without viewing tax transcripts
- Confirms filing of Schedules C and/or E were filed
- Allows lender to confirm income of borrower is over or under a stated dollar amount



*Identity Verification*

# Identity Theft Fraud Statistics

- **Losses to business and financial institutions are approaching \$50 billion annually.**  
Federal Trade Commission & Gartner Inc. study, released September 2003
- **In 2002, approximately 680,000 people became victims of identity theft. That equals 1,863 per day, 77 per hour, and 1.29 per minute.**  
Gartner Inc. study, released September 2003
- **In 2003, approximately 7 million people became victims of identity theft. That equals 19,178 per day, 799 per hour, and 13.3 per minute.**  
Gartner Inc. study, released September 2003
- **The incidence of victimization increased 15.5% between 2001-2002 and 80% between 2002-2003.**  
Harris Interactive study, released September 2003

# What makes up DirectChek?



SSA Authentication from the SSA database confirming the name, SSN and date of birth as a “Match” or “No Match” – results posted daily



Deathmaster search of the SSN – results posted real-time



OFAC list search of the name – results posted real-time



Tri-merge credit header report – results posted real-time



The Social Security Administration has searched their database to verify the assignment of the Social Security Number listed below to the subject name listed below, and has confirmed that the information, as entered below, **DOES NOT MATCH**.

- First Name: BUDDY
- Last Name: LEWIS
- Social: 987-65-4321
- Date of Birth: 10/09/1962



The Social Security Number listed below **DOES APPEAR** on the death master list, as of March 4th, 2003.

- Social: 987-65-4321
- Name: Mamie Demaret
- Death Date: 1973-01-15
- Death Zip Code: 77856



The name listed above **DOES APPEAR** on the OFAC terrorist watch list as of March 4th, 2003.

**Credit Header Information**

**Individual Names and Aliases (AKA's and FKA's)**



Name	Social	Date of Birth	Age	Date of Issuance	State of Issuance
Bobby Lewis	987-65-4321	10/09/1962	40	1973 - 1974	North Carolina
Vince Vance	987-65-4321	10/09/1962	40	1973 - 1974	North Carolina

**Previous Addresses**



Address	County	Reported Dates
1234 Craigshire Ave Dallas, TX 75231 4748	Dallas	11/1998 - 1/2003
5678 Fenchurch Rd Dallas, TX 75238 3428	Dallas	4/1995 - 1/1999
Po Box 12345 Dallas, TX 75238 0448	Dallas	10/1998 - 1/1999
8585 Ferndale Rd Apt 159 Dallas, TX 75238 3513	Dallas	10/1998 - 10/1998

**Other Individuals, Linked by SSN**



Name	Social	Date of Birth	Age	Date of Issuance	State of Issuance
Vernon Bolt Lewis	987-65-4321	10/09/1962	40	1973 - 1974	North Carolina
Mamie Deramet	987-65-4321	10/14/1935	67	1973 - 1974	North Carolina

# DirectChek Process

- Secure, Web-based order entry
- Authorization form submission
  - Facsimile
  - XML/RPC authorization form submission
- Confirmation e-mail upon receipt of authorization form
- Online tracking & electronic posting of results
- E-mail notification of results posted



# Fraud Statistics

**A sampling of 828,810 SSA Verification transactions submitted to Rapid Reporting revealed:**

- **437,414 escalated their inquiry requesting SSN authentication from the SSA**
- **2,561 SSA Deathmaster hits**
- **15,436 borrowers' SSN's were a "No Match" to the SSA database.**

**4.11% OF THE 437,414 BORROWERS WERE NOT WHO THEY SAID THEY WERE**

# Financial Impact on Portfolio

- **Sample portfolio consists of 141,072 loans**
- **Assume average loan amount is \$100,000, portfolio value is \$14,107,200,000**
- **4.11% “No Matches” extrapolates to 5,798 “bad” loans**

**ID FRAUD LOSSES = \$579,800,000**

# Am I already verifying SSNs?

Not if you are getting results in real-time

Essentially, there are three types of SSA verifications:

1. Mere sequence checks - validations  
SSA High Group List; State & Date of Issuance
2. Credit repository or public database searches  
Extrapolated from self-confessed identity usage
3. Direct matches against SSA database... DirectCheks  
Authenticated using the SSA's database

**DirectChek reports includes all three!**

# Reasons for using Rapid Reporting...

- Established all programs with the SSA and IRS
- Industry Leader
- HUD/FHA Approved
- Personal Customer Service
- Technology
- Security