



## Lending and QC in the Emerging Markets

Sandee M. Rampino  
FVP, Quality Assurance & Fraud Prevention  
HSBC Mortgage Corporation (USA)

# Key Points to Consider....

- Education both Internal and External
- Embrace the opportunity to serve emerging markets by developing trust and awareness
- Know your market and develop a plan that best will serve that market
- Get involved in the communities and become a part of the communities you want to serve
- Understand the culture, be sure you are educated not only on the culture but also the differences

# Key Points to Consider....

- Develop products that meet specific needs and that are not one size fits all
- Determine what is important to each market and work to meet those needs
- Involve all departments when embarking on a new market, get all points of view
- Ensure staff understands what is necessary to be successful
- Update systems, websites, brochures, disclosures, etc.

# Key Points to Consider....

- Develop alternative methods for communication specific to your market
- Associates need to be bilingual including loan officers, product associates, customer service, etc.
- Documents should be written in the native languages
- Staff needs to embrace the culture, understand the customer needs, be versed in the product and communicate this effectively

# Key Points to Consider....

- Provide training to prospective customers on the mortgage experience in their native language
- Ensure there is an understanding of the requirements, employment, credit assets, etc.
- Ensure understanding of non-traditional income, asset and credit requirements
- Provide staff training on how to verify requirements, alternative methods and tools available

# Key Points to Consider....

## Understand that the criminal element exists in all markets

- Conduct proper due diligence on all files
- Verify alternative or non-traditional income assets as required
- Know Your Customer and ensure that proper identity checks are conducted
- Associates should be bilingual to understand customers native language, read and understand documents
- Understand the immigration requirements to better serve the community

## Criminal Element Current Trend – Home Equity Bust Out Scheme

- Taking place in counties in NY, NJ, IL and CA that are experiencing long recording delays
- Potential borrowers (victims) are solicited by fraudsters posing as trusted members of their community
- Borrowers are targeted based on available equity in their property
- Are promised large payouts and convinced they are doing nothing wrong as it is their property
- Coached to apply for several Home Equity loans all on the same day at various lenders
- Employment, Assets, credit history many times are enhanced

# Key Points to Consider....

## Criminal Element Current Trend – Home Equity Bust Out Schemes – Cont’d

- Coaches often contact the lenders to speed up the process
- Loans all simultaneously fund, lenders think they are in the right lien position
- Taking advantage of long recording delays, lenders lien eventually is recorded and lender is in 6<sup>th</sup>, 7<sup>th</sup>, 8<sup>th</sup>, etc. position
- Losses realized can be steep; consider for example a property worth \$300,000 where 10 home equities were obtained, the total outstanding would be \$3 million and the last lender is in 10<sup>th</sup> position

# Key Points to Consider....

## Criminal Element Red Flags – Home Equity Bust Out Scheme

- Credit reports contained numerous inquiries from other financial institutions within a short period of time
- Identity discrepancies, name, social security number, etc.
- Income not consistent with employment information provided
- Alerts on credit report
- Same phone number listed as “call back numbers” appeared on many different applicants applications

# Key Points to Consider....

## Criminal Element Prevention – Home Equity Bust Out Scheme

- Investigate numerous inquiries, contact necessary individual, institutions, etc.
- Ensure you Know Your Customer and validate the borrower's identity
- Conduct a reasonability test for income and employment
- Follow up and pursue all alerts on the credit report
- Question phone number similarities and discrepancies

# Key Points to Consider....

## In Closing....

### **Demonstrate trust and be visible in the community**

- Network with your peers in the industry and talk about what you are seeing, experiencing, etc.
- Keep current on market trends - not just mainstream publications - and disseminate information throughout your organization
- Have a robust up-front Fraud monitoring and Quality Control process to quickly identify issues
- Develop a partnership with Investors, GSE's to collaborate and in turn share in the risk throughout the experience
- If an issue is identified engage law enforcement to ensure the fraudsters are stopped