



FRAUD PREVENTION AND DETECTION PROGRAMS

Mortgage Bankers Association

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Landscape

- Mortgage Fraud is getting increased scrutiny from law enforcement, regulators and investors
- Mortgage companies need to be proactive in combating fraud



Company Wide Effort

- Centralized Fraud Detection Unit
- Production
- Servicing
- Quality Control
- Legal Dept
- Compliance Dept
- Appraisal Dept
- Due diligence
- Internal Investigations



Fraud Detection Unit

- Must be independent of production
- Different skill set than compliance officers
- Central repository for all confirmed and suspected fraud
- Conducts audits of suspicious parties; report bad players to law enforcement and/or regulators



Production

- Training in “red flags”
 - Testing/certification
- Systems
- Tools to verify information
- Refer to Fraud Detection Unit if branch cannot resolve



Servicing

- Train customer service, collections, loss mitigation and others to recognize signs of fraud
- Examples
 - No borrower contact
 - Borrower states does not have loan
 - Borrower states does not make income represented in file
 - Borrower claims to be fraud victim

The logo features a stylized house icon with a lightning bolt inside a circle, set against a red background with a textured, leather-like pattern.

Quality Control

- Failed re-verifications
- Pattern or practice of not following key guidelines
- Significant variation in appraisal values



Legal/Compliance Department

- Litigation
- Subpoenas
- Forfeiture actions
- Consumer complaints

The logo is a circular emblem with a stylized '1' and 'O' inside, set against a red background with a textured, leather-like pattern.

Appraisal Department

- Suspended appraisers
- Appraisal fraud needs to be tied back to other sources (e.g. specific brokers, loan officers)
- Due diligence fallout



Auditing Program

- Delinquency
 - actual vs. expected
- Loss severity
- High concentration in certain products
- Early Payment Defaults
- Geographic hotspots



Internal Investigations

- Ethics hotline
- Investigation staff
- Coordination with Legal, Human Resources, key Production staff
- Review production reports
- Review loan files
- Review personnel files, e-mail
- Interviews of subjects and witnesses



CONCLUSION

- Questions?