

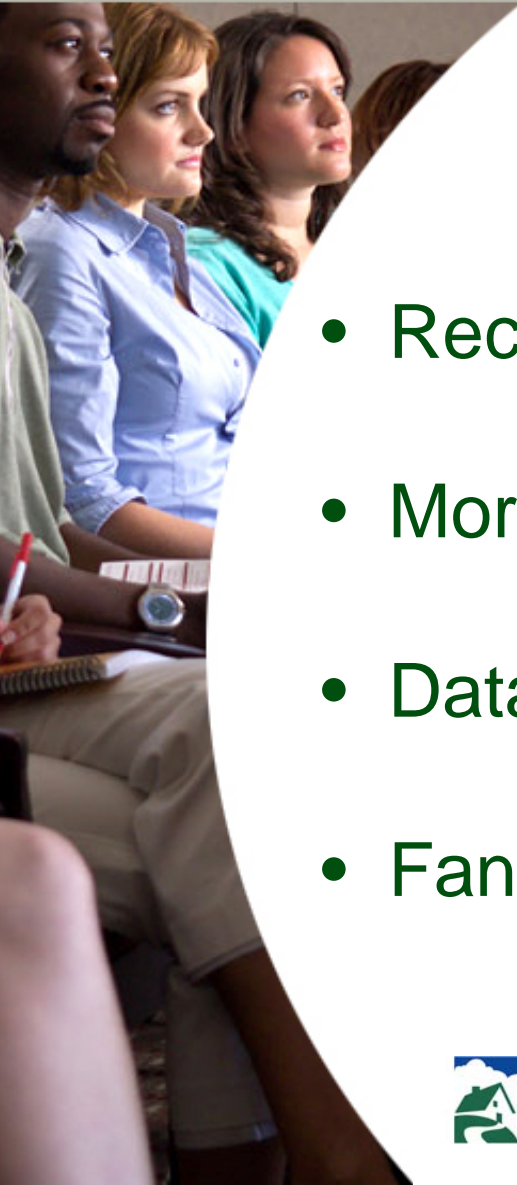


# **Mortgage Fraud Detection & Prevention: An Investor Perspective**

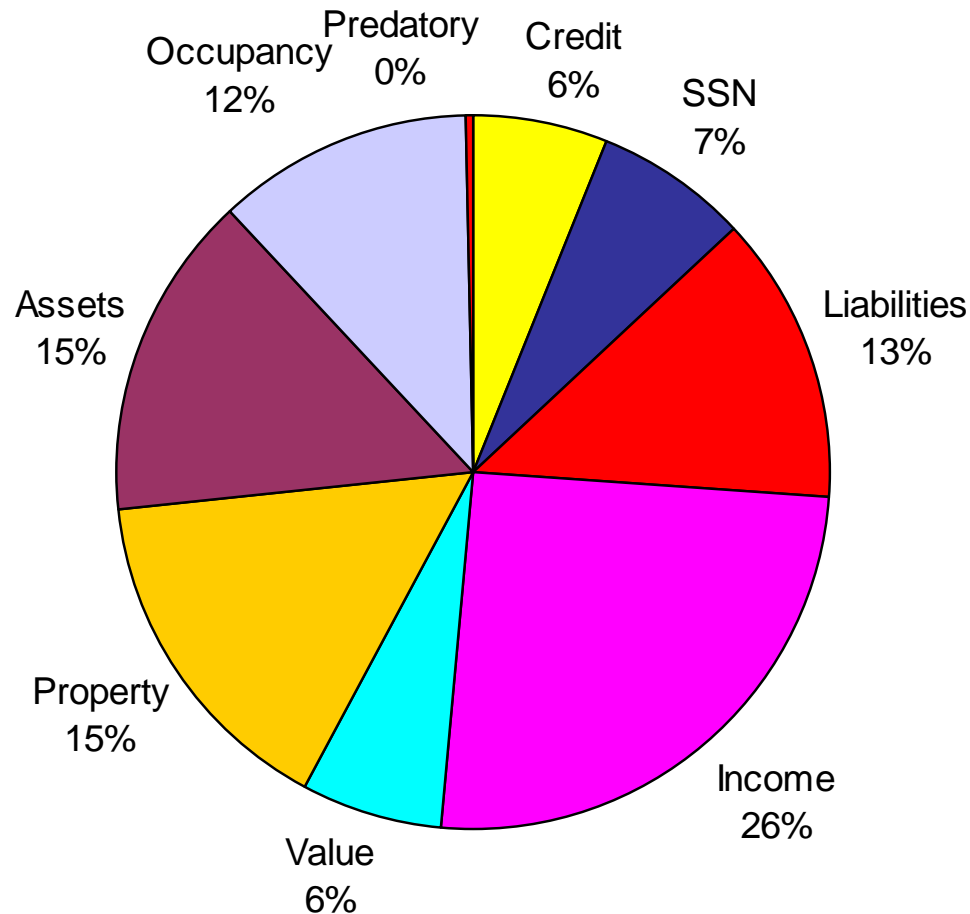
**Peter Kopperman  
VP, Anti-Fraud Initiatives  
Fannie Mae**

© 2007 Fannie Mae

# Mortgage Fraud Detection and Prevention: An Investor's Perspective

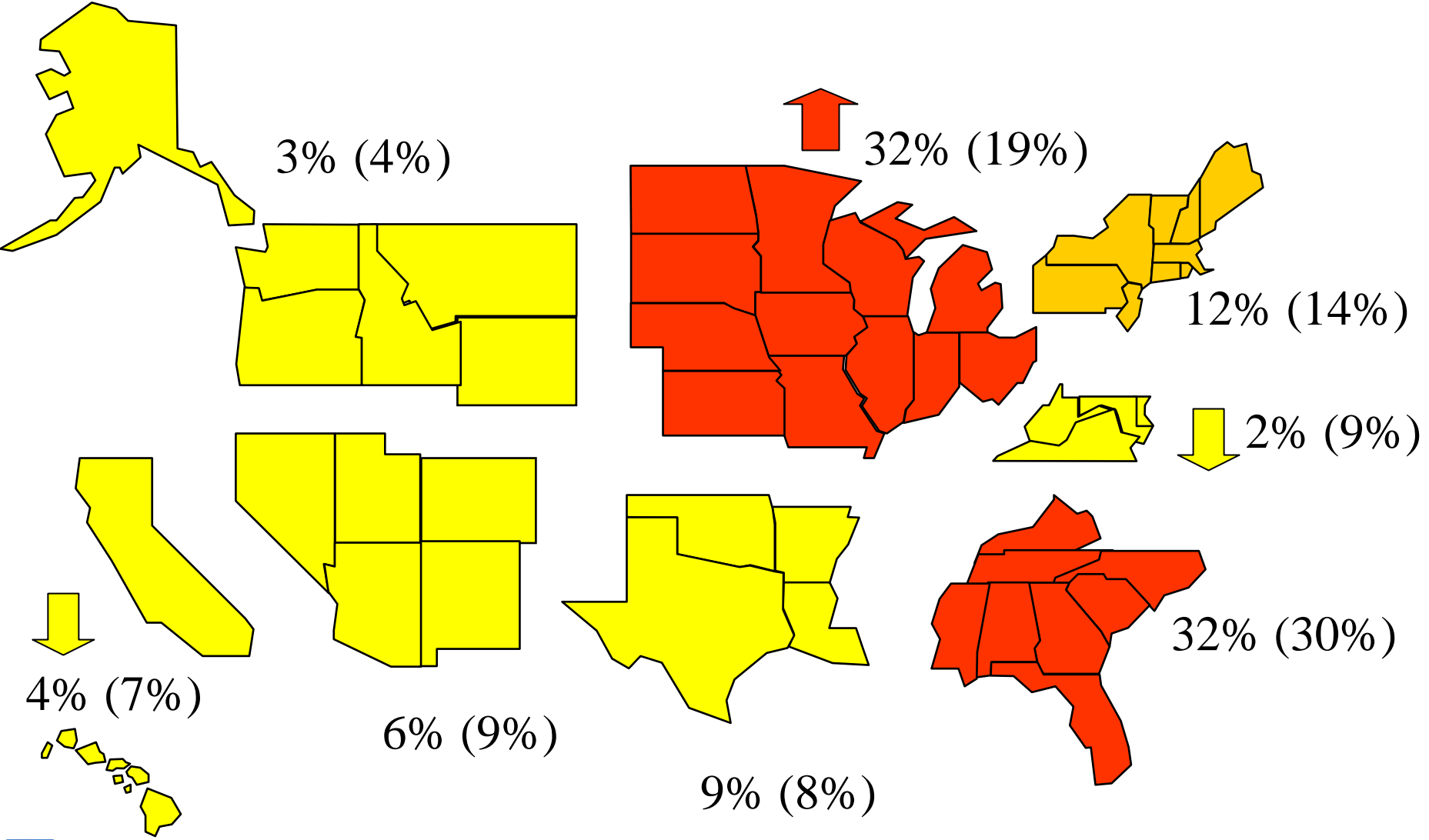
- 
- Recent Observations on Mortgage Fraud
  - Mortgage Fraud Detection Efforts
  - Data Integrity and Information Sharing
  - Fannie Mae's Industry Partnership Strategy

## Distribution of misrepresentation findings for 2005-2006 originations



# Fannie Mae Mortgage Fraud By Region – U.S. Total

Percent Distribution - 2005-2006 (1999-2000) Originations



# “Hot” Mortgage Fraud Areas

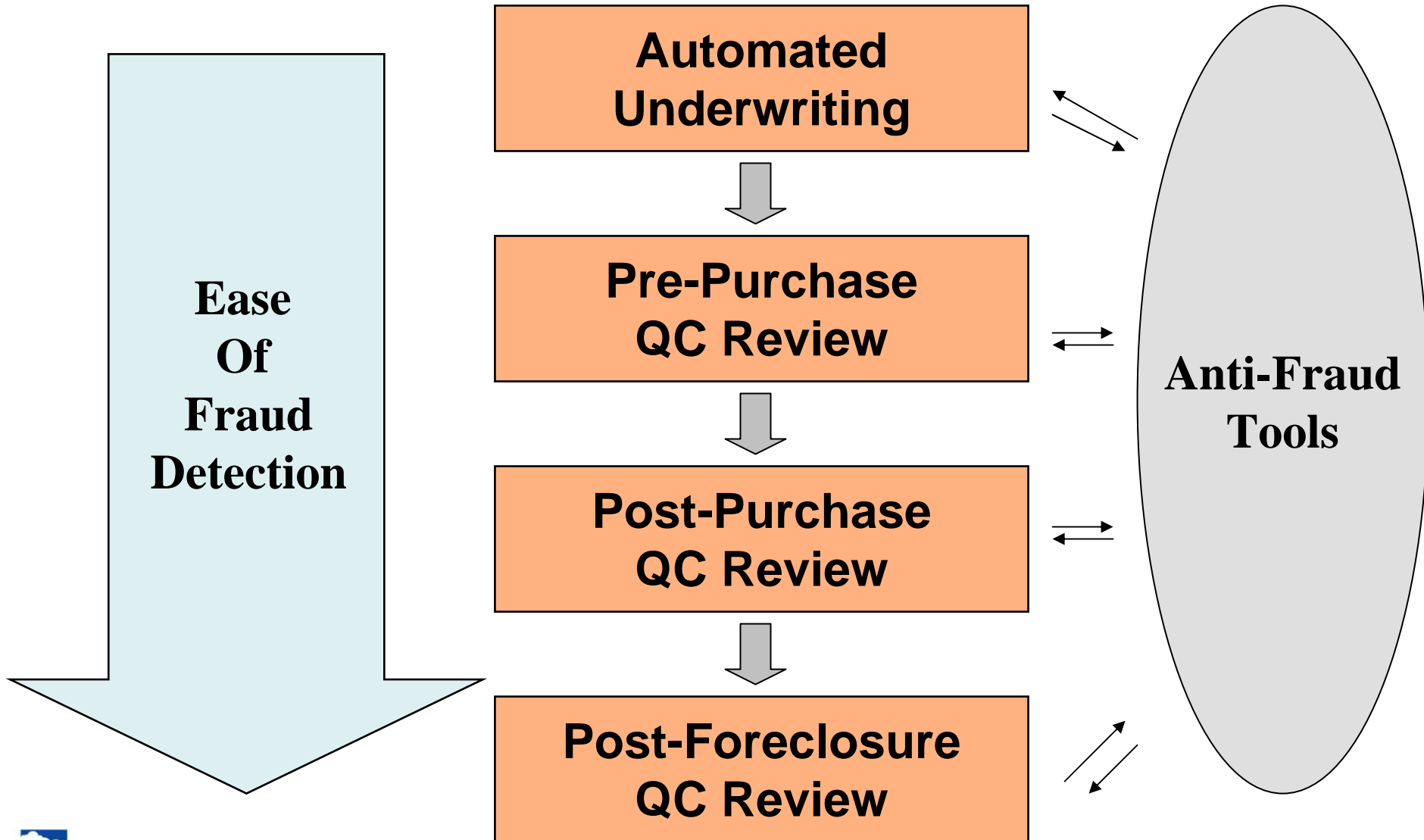
## Reviews of loans originated in 2005-2006

Listed by first three zip code digits, representative city & most common misrep findings.

1.	462 -	Indianapolis, IN	Property & Assets
2.	381 -	Memphis, TN	Property & Credit
3.	300 -	Decatur, GA	Income, Credit & Property
4.	303 -	Atlanta, GA	Credit & Property
5.	482 -	Detroit, MI	Income, Credit & Property
6.	330 -	Pompano Beach, FL	Income & Credit
7.	460 -	Westfield, IN	Property & Assets
8.	601 -	Elgin, IL	Credit & Income
9.	770 -	Houston, TX	Property & Income
10.	554 -	Minneapolis, MN	Credit/SSN

**Top ten zip code areas represent 33 percent of misrepresentation cases.**

# Detecting Fraud Earlier in the Loan Life Cycle

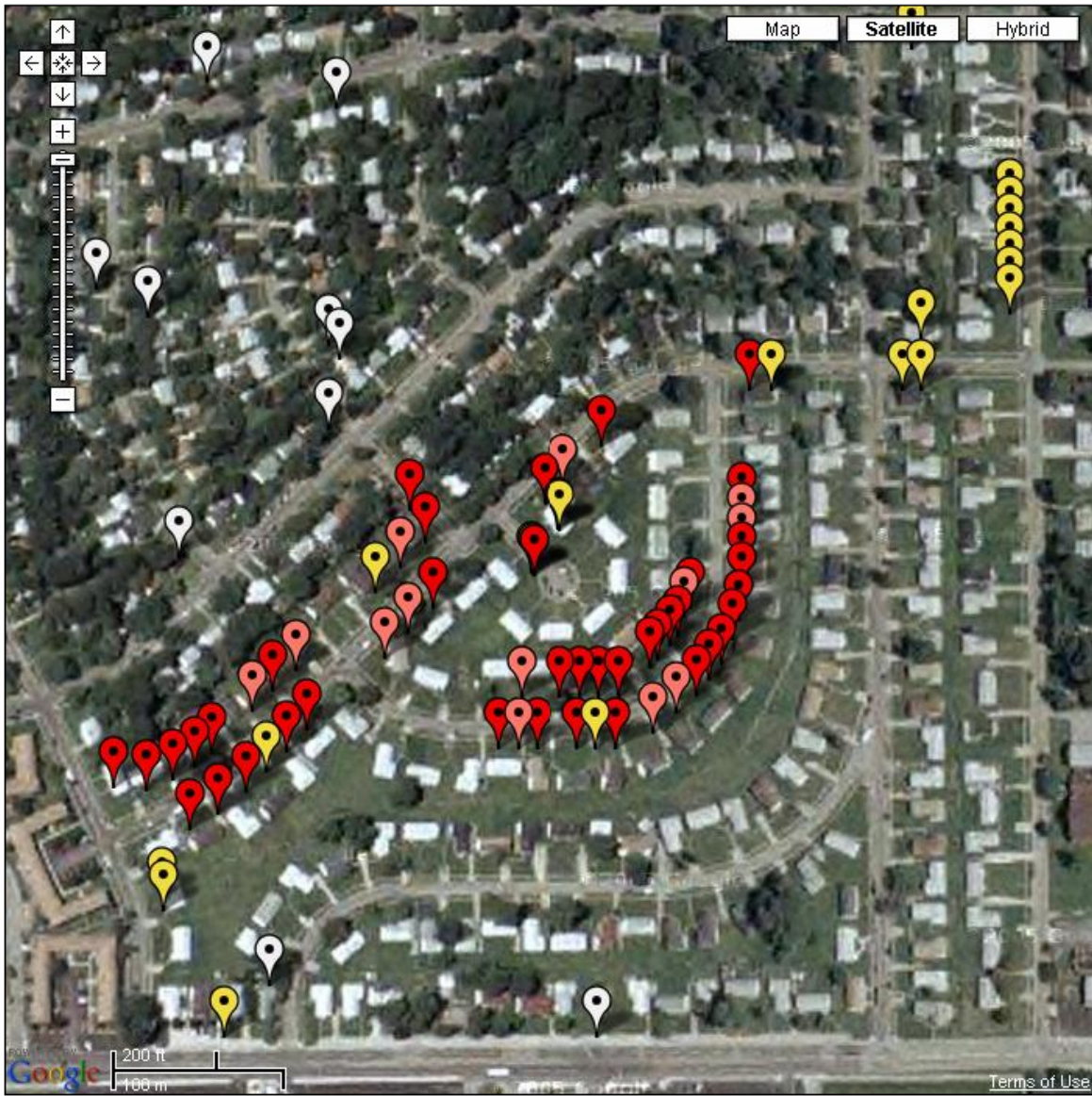


- **Suspect Transactions**
  - Valuation Bias
  - Occupancy Misrep
  - Undisclosed Liabilities
  - Identity (e.g. DMF, SSN Year-of-Issuance)
- **Suspect Individuals**
  - Appraisal Bias by Loan Officer
  - Loan Performance by Loan Officer
- **Suspect Markets**
  - Loan Performance by Zip Code
  - Loan Performance by Census Block

# Suspect Markets — Delinquencies by Zip Code

Zip Code	City	State	Loan Count	Loans With 12 Months History	Number of Early Warning Events	Early Warning Rate	Predicted Rate (ACI 2.0)	Comparison Ratio
30310	ATLANTA	GA	603	425	54	12.71%	2.24%	5.7
30314	ATLANTA	GA	272	173	17	9.83%	2.23%	4.4
30315	ATLANTA	GA	529	328	27	8.23%	1.83%	4.5
30317	ATLANTA	GA	477	279	14	5.02%	1.00%	5.0
30318	ATLANTA	GA	1,068	640	29	4.53%	1.02%	4.4
46219	INDIANAPOLIS	IN	916	543	32	5.89%	1.21%	4.9
75206	DALLAS	TX	823	524	14	2.67%	0.50%	5.4
77545	FRESNO	TX	219	132	18	13.64%	3.10%	4.4
77706	BEAUMONT	TX	621	413	17	4.12%	0.85%	4.9
80219	DENVER	CO	1,124	775	32	4.13%	0.87%	4.7
80239	DENVER	CO	728	503	22	4.37%	1.03%	4.3
81001	PUEBLO	CO	554	357	12	3.36%	0.81%	4.2
Total			7,934	5,092	288	5.7%	1.2%	4.8
Note: Filter Rule					>= 10			>= 4.0

# Suspect Markets: Loan Performance by Census Block



-  90 Days Late
-  60 Days Late
-  30 Days Late
-  Current

Image from Google Maps  
[maps.google.com](https://maps.google.com)

# Suspect Individuals: Loan Performance by Loan Officer

**Delinquencies and defaults are examined as part of portfolio research of possible fraud**

Interviewer Name	Loan Count	Loans With 12 Months History	Number of Early Warning Events	Early Warning Rate	Predicted Rate (ACI 2.0)	Comparison Ratio
Interviewer 1	35	33	6	18.18%	3.64%	5.0
Interviewer 2	61	44	5	11.36%	1.35%	8.4
Interviewer 3	32	30	7	23.33%	5.18%	4.5
Interviewer 4	41	25	5	20.00%	4.74%	4.2
Interviewer 5	115	81	6	7.41%	1.27%	5.8
Interviewer 6	24	15	9	60.00%	6.27%	9.6
Interviewer 7	11	11	5	45.45%	6.18%	7.4
Interviewer 8	17	14	5	35.71%	6.03%	5.9
Interviewer 9	137	109	16	14.68%	2.98%	4.9
Interviewer 10	42	30	5	16.67%	2.63%	6.3
<b>Total</b>	<b>515</b>	<b>392</b>	<b>69</b>	<b>17.6%</b>	<b>3.1%</b>	<b>5.7</b>

Note: Filter Rule

>= 5

>= 5.0%

>= 4.0

# Fraud Detection Challenge: Addresses with Missing Unit #s

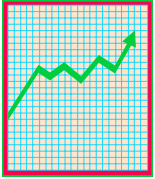
**Observation: Properties frequently appear to be collateral for multiple loans due to address quality issues.**

Loan ID	Acquisition	Address	Zip	Lender
1679283015	12/01/01	718 W TRADE ST	28202	Lender A
1683025890	10/01/02	718 WEST TRADE STREET	28202	Lender B
1683176575	10/01/02	718 W TRADE ST	28202	Lender A
1684299919	12/01/02	718 WEST TRADE STREET	28202	Lender B
1684992606	01/01/03	718 W. TRADE STREET UNIT	28202	Lender B
1692476331	09/01/03	718 W TRADE STREET	28202	Lender B
1693335753	10/01/03	718 WEST TRADE ST.	28202	Lender B
1694467755	01/01/04	718 W TRADE ST	28202	Lender A



# Fannie Mae's Anti-Fraud Strategy

*“Actively make a positive industry-wide contribution to mortgage fraud prevention and detection, helping our lender partners and ourselves minimize fraud losses”*



- **Collect and share data and information across the industry**



- **Educate on mortgage fraud, as well as detection and prevention techniques**



- **Advance technology solutions**



- **Work with law enforcement and professional review boards in their efforts to prevent and prosecute mortgage fraud**

www.eFannieMae.com



The screenshot shows the eFannieMae.com website with a search bar, navigation tabs for Single-Family, Multifamily, and Training & Education, and several content blocks including Housing Finance Institute (HFI), Hurricane Relief, Frequently Searched Pages, Industry Specialists, and Highlights. A 'Mortgage Fraud' link is highlighted in the Highlights section.

Search  Go [Advanced Search](#)  
Contact Us | Help | About | Site Map | Legal | Privacy

eFannieMae.com

Single-Family Multifamily Training & Education

**Housing Finance Institute™ (HFI)**  
Equip yourself to use our mortgage solutions and services to succeed in today's highly competitive environment. Make plans to attend one of our HFI sessions coming soon to a city near you.  
[Learn more](#)

**Hurricane Relief**  
Visit our Hurricane Relief page to access the latest information and tools to assist in relief efforts.  
[More on hurricane relief](#)

**Frequently Searched Pages**

- Accepted Condos, Co-ops, and PUDs
- Form 1003
- Asset Management Network
- Fannie Mae Property GeoCoder™
- Titling Manufactured Housing as Real Property

**Industry Specialists**  
Not a lender or servicer? Get quick access to the information you need.

**Brokers & Correspondents**

- Appraisers
- Attorneys
- Document Custodians
- Housing Counselors
- Housing Finance Agencies
- LOS Vendors
- Mortgage Insurers
- Multifamily Property Inspectors
- NPDC Vendors
- Real Estate Developers
- Real Estate Professionals
- Settlement Agents

**Highlights**

- Lender Letter 02-06 (.pdf)**  
Review our Mississippi Development Authority - Homeowner Assistance Program Lender Letter.
- Announcement 06-04 (.pdf)**  
Review our HOEPA Mortgages and Mortgages with Excessive Fees Announcement.

**Mortgage Fraud**

- Preventing Mortgage Fraud**  
Learn about Fannie Mae's commitment to preventing mortgage fraud and ways to report questionable activities.

© 2001-2006 Fannie Mae. All Rights Reserved. Visit our corporate site, [www.fanniemae.com](http://www.fanniemae.com).

## Mortgage Fraud

- Preventing Mortgage Fraud  
Learn about Fannie Mae's commitment to preventing mortgage fraud and ways to report questionable activities.

