



THE BUYBACK EPIDEMIC

WHAT'S FRAUD GOT TO DO WITH IT?

One Warehouse Lender's View

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IT'S A NEW GAME





- **CONTRACT: Trip Wires and Rights**
- **INVESTIGATION: Questions & Research**
- **SPECIAL FOCUS Closing Agent Fraud**

•CONTRACT



CONTRACT = RULES

- Loan must meet third party **investor or GSE guidelines**... Seller will repurchase **whether or not loan is in default**... if there is **material misrepresentation** or **omission**....any matter in loan file is **incorrect**...customary **degree of care** was not exercised...at time of submission, failed to notify buyer of **familial or other affiliated** relationships.



INVESTOR RIGHTS

- Take **collection** and **foreclosure** action **without notifying** seller...foreclose or take **deed in lieu**... **collect deficiency** from seller...demand repurchase of **all loans** ...report company, suspect officers and employees, and third parties to **industry data repositories** and **law enforcement** ...require **arbitration** (no jury trial.)



Recorded mortgage

Fraud findings reported

Financial Statements

Know Account Rep

Material financial or corporate change

Responsiveness

• INVESTIGATION



- Ask for **written** request
- **All reasons** for repurchase request
- Specific persons or companies **of interest?**
- What **processes and tools used?**
- **Similar cases?**
- Prevention **recommendations?**

RETRIEVE IMMEDIATELY



- ALL Files
- Closing Docs
- Recorded Mortgage
- MERS Update
- Electronic Tools
- Exceptions

SPECIALTY REPORTS



• CONCENTRATION

- Mortgagor name & SSN
- Loans on same property
- Appraiser
- Loan Type - \$ Cashout

• ANOMALY

- Volume or loan amount spike
- Delinquency/Default
- New loan source
- Zip code

- **SPECIAL
FOCUS:
CLOSING**



CLOSING INSTRUCTIONS

- ▶ **Do not close if suspicious**
- ▶ **Bring suspicious behavior** to your attention immediately
- ▶ **Return \$ to warehouse lender** if not closed same-day
- ▶ **No concurrent fundings**



CLOSING INSTRUCTIONS



- ▶ Record mortgage **same-day walk-in**
- ▶ **Final title policy** within 30 days
- ▶ In **NY**, outline expectations for both closing attorney and title company in closing instruction letters
- ▶ Include **MERS** in title search
- ▶ **FBI Warning**

MORTGAGE FRAUD IS INVESTIGATED BY THE FBI



Mortgage Fraud is investigated by the Federal Bureau of Investigation and is punishable by up to 30 years in federal prison or \$1,000,000 fine, or both. It is illegal for a person to make any false statement regarding income, assets, debt, or matters of identification, or to willfully overvalue any land or property, in a loan and credit application for the purpose of influencing in any way the action of a financial institution.

Some of the applicable Federal criminal statutes which may be charged in connection with Mortgage Fraud include:

- 18 U.S.C. § 1001 - Statements or entries generally
- 18 U.S.C. § 1010 - HUD and Federal Housing Administration Transactions
- 18 U.S.C. § 1014 - Loan and credit applications generally
- 18 U.S.C. § 1028 - Fraud and related activity in connection with identification documents
- 18 U.S.C. § 1341 - Frauds and swindles by Mail
- 18 U.S.C. § 1342 - Fictitious name or address
- 18 U.S.C. § 1343 - Fraud by wire
- 18 U.S.C. § 1344 - Bank Fraud
- 42 U.S.C. § 408(a) - False Social Security Number

Unauthorized use of the FBI seal, name, and initials is subject to prosecution under Sections 701, 709, and 712 of Title 18 of the United States Code. This advisement may not be changed or altered without the specific written consent of the Federal Bureau of Investigation, and is not an endorsement of any product or service.

WIN THE NEW GAME



IT'S A NEW GAME



- **CONTRACT:** Know what's in (and not in) your favor
- **INVESTIGATION:** Know the loan, make informed decision
- **SPECIAL FOCUS:**
Closing Agent Fraud

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•ELECTRONIC FRAUD

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