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April 10th, 2008

**MBA's
Reverse Mortgage Lending
Conference**

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Mortgage Fraud - Industry Statistics

- Subprime mortgages have hurt the entire mortgage industry
- Significant number of subprime mortgages have defaulted because of some form of misrepresentation
- Identity theft is the **fastest growing white collar crime** in the U.S.
- 80% of all reported mortgage fraud losses involve **collaboration** or **collusion** by industry insiders.
- Most fraud is committed as misrepresentation on the mortgage application
- 64% of all mortgage fraud involves **income or identity misrepresentation** by the borrower.

Mortgage Fraud today

- What is mortgage fraud?
- Known as intentional misrepresentation...it has these elements:
 - a participant in the transaction knows an act is false
 - there is evidence that the act was to deceive the second party
 - damages incurred are directly related to the misrepresentation.
- Types of fraud
 - Broker misrepresentation
 - Appraisal misrepresentation. Does the collateral match the loan value?
 - Appraiser misrepresentation
 - Title misrepresentation
 - Identity misrepresentation. Fake or stolen.

Mortgage Fraud Fighting the epidemic

- What to do...
 - Adopt an institutional Zero tolerance for fraud
 - Hire staff with experience in fraud detection and compliance
 - Monitor loans for “tangible benefit to the borrower”
 - Extra due diligence is required for transactions using a powers of attorney closing.
 - Conduct business with licensed professional vendors
 - Develop standard operational procedures that includes a quality control plan
 - Utilize automated prequalification and risk assessment tools to identify misrepresentations

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