



# Fraud in Reverse Mortgages

Ann Fulmer, Vice President, Interthinx

## Growing Market

- Total reverse mortgages for Top 25 lenders in 2002:  
10,189
- Total reverse mortgages for Top 25 lenders in 2007:  
149,599
- Nearly 50,000 originations in first six months of FY 2008
  - Aging boomers will fuel market increases for the next decade and beyond

## Market Projections

- 78 million potential customers now
- 10,000 people turning 62 every day by 2011
- Home equity held by currently eligible consumers:
  - \$4 trillion

## Factors Negatively Affecting Market Now

- **High fees and costs**
  - Can be as much as 10% of home value
- **Limited number of providers**
  - Will grow as population ages
  - Increased competition will drive costs down
- **Limited consumer awareness/skepticism**
  - “Too good to be true”

## Reverse Mortgage Program Vulnerabilities

- **Older Americans are frequent targets of scams of all types**
  - Frauds reported to date combine repair and investment scams with diversion of loan proceeds
  - Proceeds sometimes used to fund inappropriate annuities
- **Lenders risk reputation**
- **Abuses create negative image of program**

## Reverse Mortgage Program Vulnerabilities

- Misrepresentation of borrower's permanent residence
- Misrepresentation of borrower's age
- Misrepresentation of borrower's competency
- Identity theft
- Inflation of collateral value

## Reverse Mortgage Program Vulnerabilities

- Land record fraud/deed forgery
- Forged payoffs of pre-existing liens and mortgages
- Loans arranged by children or other third parties without the consent or knowledge of the borrower
- Loans closed with forged powers of attorney
- Settlement agent fraud (misappropriation of proceeds)

## Protective Measures to Prevent Fraud

- Automated technology to verify
  - Borrower's residence, age, identity
  - Collateral value
  - Title issues
    - Ownership
    - Prior mortgage status

# Protective Measures to Prevent Fraud

- Trained underwriters
- Pre-funding borrower contact program
- Monitoring program for servicing

- **Fraudsters always “follow the money”**
  - Just a matter of time before they start targeting lenders instead of borrowers
  - We must enact protective procedures NOW before origination volumes make it impossible!

**Interthinx™**

[www.interthinx.com](http://www.interthinx.com)

**Ann Fulmer**

[afulmer@interthinx.com](mailto:afulmer@interthinx.com)

**404-626-9916**