




# FALSE DOCUMENTS

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*This presentation will show examples of false documents, how they were discovered and the corrective measures some lenders have taken to combat this growing trend.*

## STATISTICS

FINCEN report dated April 2008 reported the following:

- A sample of 1769 SAR reports were reviewed to identify trends and patterns. 496 (28%) of these were identified as containing forged/fraudulent documents.
- Mortgage brokers originated 68.15% of these loans.
- The forged/fraudulent documents included W-2's, tax returns, VOD's, VOR's, credit reports and forged signatures on loan documents.
- 79.64% was seen as fraud for housing and 19.56% was deemed fraud for profit.
- 52.42% were detected in pre-fund audits; 31.05% were detected in post fund; 9.88% in loan defaults and 3.83% reported by victims reporting forged signatures.

SAR review period: April 2006 to March 2007

## RED FLAGS:

- Alerts on credit report (identity alerts, borrower SSN variances, borrower name variances, borrower address variances, employment history, etc)
- Suspicious trade line actions (numerous trade lines opened in a short period of time/inquiries)
- Vendor SSN validation products (ie. Safecheck), review for alerts (i.e. date SSN issued, # of hits, variations in SSN and name, state SSN was issued, borrower address history)
- Photo ID- borrower name and address variations
- Restricted SSN cards
- Signature discrepancies

## ACTIONS TO MITIGATE RISK:

- Contact borrower utilizing a script (i.e. standard questions to confirm validity of alert/red flags in file)
- SSN Validation through SSA
- Sample borrower signatures



## RED FLAGS:

- Stand alone VOE's
- Simplistic pay stubs (i.e. logos, different font size, squeezed in numbers)
- FICA, Medicare and state deductions are incorrect
- Wage round numbers, generic job titles
- Fax headers are not visible/report differs
- Directory assistance has no listing for company or trail is not complete (i.e. to and from)
- Employer name on credit or info differs
- Income is in line with borrower's age, type of job and credit pattern

## ACTIONS TO MITIGATE RISK:

- Execute the 4506 if income is questionable
- Execute your own VOE
- Require additional documentation to support income/employment
- Income Reasonability Test
- Reprocessing of exhibits in loan file
- Internet searches (i.e. company name, state corporation records, google)

## SAMPLE:

**Request for Verification of Deposit** CM-017

Please fill out this information to be used in the process of verifying if or in accordance to determine whether you qualify as a prospective mortgage lender for approval. It will not be disclosed outside the agency except as required by law, nor will we have to provide the information, but it will be used to determine if you are a prospective mortgage lender. For information regarding this form is contained by: (see at: 1000, Chapter 10, § 1000, Section 1000.01, § 1000.02, § 1000.03, § 1000.04, § 1000.05, § 1000.06, § 1000.07, § 1000.08, § 1000.09, § 1000.10, § 1000.11, § 1000.12, § 1000.13, § 1000.14, § 1000.15, § 1000.16, § 1000.17, § 1000.18, § 1000.19, § 1000.20, § 1000.21, § 1000.22, § 1000.23, § 1000.24, § 1000.25, § 1000.26, § 1000.27, § 1000.28, § 1000.29, § 1000.30, § 1000.31, § 1000.32, § 1000.33, § 1000.34, § 1000.35, § 1000.36, § 1000.37, § 1000.38, § 1000.39, § 1000.40, § 1000.41, § 1000.42, § 1000.43, § 1000.44, § 1000.45, § 1000.46, § 1000.47, § 1000.48, § 1000.49, § 1000.50, § 1000.51, § 1000.52, § 1000.53, § 1000.54, § 1000.55, § 1000.56, § 1000.57, § 1000.58, § 1000.59, § 1000.60, § 1000.61, § 1000.62, § 1000.63, § 1000.64, § 1000.65, § 1000.66, § 1000.67, § 1000.68, § 1000.69, § 1000.70, § 1000.71, § 1000.72, § 1000.73, § 1000.74, § 1000.75, § 1000.76, § 1000.77, § 1000.78, § 1000.79, § 1000.80, § 1000.81, § 1000.82, § 1000.83, § 1000.84, § 1000.85, § 1000.86, § 1000.87, § 1000.88, § 1000.89, § 1000.90, § 1000.91, § 1000.92, § 1000.93, § 1000.94, § 1000.95, § 1000.96, § 1000.97, § 1000.98, § 1000.99, § 1000.100)

**Instructions:** Complete items 1 through 6. Have applicant complete item 7. Submit directly to the entity named in item 1. Depository: Please complete items 7 through 10 and return directly to the entity named in item 1. The form is to be completed directly to the lender and is not to be transmitted through the applicant or any other party. Lender's Phone No. 800-888-8808

**Part I - Requestor**

1. To (Name and address of requesting):  
FEDERAL TRUST  
Bank Of AMERICA

2. From (Name and address of lender):

I certify that this information has been read directly to the bank or depository and has not passed through the hands of the borrower or any other interested party.

3. Signature of Lender: **LOAN PRODUCTION** 4. Title: **LOAN PRODUCTION** 5. Date: **02/08/2008** 6. Lender's No. (Optional):

7. Information To Be Verified

Type of Account	Account Number	Account Number	Balance
CHECKING	6011 84876666	61482 948	\$
			\$
			\$
			\$

To Depository (We have applied for a mortgage loan and stated to explain financial statements and the balance on account with you is for deposit only. You are authorized to verify the information and to supply the funds identified above with the information requested in items 7 through 10. Your response in which is subject of liability for which the responsibility is assumed by your institution or one of your officers.

8. Name and address of Applicant: **BOB BROWNE, SR. and WIFE** 9. Signature of Applicant: **[Signature]**

100 Riverside Rd.  
Tacoma, WA 98402

10. Title of Applicant: **[Signature]**

**To Be Completed by Depository**

**Part II - Verification of Depository**

10. Deposit Accounts of Applicant:

Type of Account	Account Number	Current Balance	Average Balance for Previous Two Months	Date Opened
Checking	6011 84876666	\$ 2,000.00	\$ 1,000.00	01/01/08
Checking	6011 84876666	\$ 10,000.00	\$ 5,000.00	01/01/08
		\$	\$	
		\$	\$	

11. Loans Outstanding To Applicant:

Loan Number	Date of Loan	Original Amount	Current Balance	Collateral (Mortgage/Other)	Secured By	No. of Late Payments
		\$	\$			
		\$	\$			
		\$	\$			

12. Please include any additional information which may be of assistance in determination of creditworthiness. Please include information on any other debt in item 11 above.

13. If the savings or the checking offer have been listed in item 1, please supply the savings or the accounts, as reported by your records.

**Part III - Authorized Signature**

Federal Reserve provides certain penalties for any fraud, intentional misrepresentation, or criminal conduct or conspiracy supposed to influence the issuance of any primary or secondary by the FR (Section 10, 12 U.S.C.A. 1818), FDIC (Section 1818), or the HUD/CFPD (Section 1818).

14. Signature of Depository Representative: **[Signature]** 15. Title (Please print or type): **VP, Branch Manager** 16. Date: **2/8/08**

17. Please print or type name signed in item 14: **Eddie Low** 18. Phone No.:

CM-017 Form (06/01) 1008 FDIC Form 1008  
Rev. 06/01

## RED FLAGS:

- Stand alone VOD
- Handwritten VOD's from depositories that have processing centers (900#'s)
- Squeezed in #'s, font differences
- Fax headers are not visible or trail is not complete (i.e. to and from)
- Standard verbiage on the statement (ie. Account fees are charged yet balances reflect no fees should have been charged)
- Unknown depository
- Assets are in line with borrower's age, type of job and credit pattern
- Inquiries on credit report (ie: borrowed down payment)

## ACTIONS TO MITIGATE RISK:

- Execute your own VOD
- Request additional documents to support assets
- Reprocessing of exhibits in loan file

## RED FLAGS:

- Purchasing another property in the same neighborhood (“buy & bail”) & retaining departing residence
- Borrower buying down in value
- Credit report and/or Safecheck has no history of borrower living at the subject property
- Documents (i.e. Photo ID, pay stubs, W-2’s,) do not reflect property address-if owner occupied refi

## ACTIONS TO MITIGATE RISK:

- Apply “Buy & Bail” guidelines
- Counter to a non-owner occupied loan
- Occupancy certification
- Documentation borrower is residing at the subject property

# TRANSACTION

## SAMPLE:

		Borrower	Seller
<b>ITEMS PAYABLE IN CONNECTION WITH LOAN</b>			
815			
817			
818			
819			
	TOTALS		
<b>TITLE CHARGES</b>			
1114	LIEN SEARCHES	NOUVELLE TITLE SERVICES, INC.	100.00
1115	TITLE REVIEW	MCLEND, RUSSIN, & BUDWICK, P.A.	150.00
1116			
1117			
1118			
1119			
1120			
1121			
	TOTALS		250.00
<b>ADDITIONAL SETTLEMENT CHARGES</b>			
1308	ASSIGNMENT FEE	M M REMODELING & MAINTENANCE FEE	61,583.55
1310	2006 TAXES DUE	BROWARD COUNTY TAX COLLECTOR	5,081.85
1311	2007 TAXES DUE	BROWARD COUNTY TAX COLLECTOR	3,707.57
1312	INS. REQUEST	EOLIRECT	15.00
1313			
	TOTALS		70,702.97

## RED FLAGS:

- Condo conversions
  - 2-4 units converted to condo
  - Apartment converted to condo (appraiser states it is not a conversion)
- Excessive Real Estate fees being paid at closing
- Non lien payoff's (i.e. private lien holders)
- LLC's as the seller or as non lien payoff's
- Excessive seller credits (i.e. bail-out, masked down payment)
- Non arms length (i.e. broker is associated with closing agent, seller, etc)
- Undisclosed REO's

## ACTIONS TO MITIGATE RISK:

- Google the condo name (i.e. condo conversion)
- Blogs for condo project, builder, seller
- Determine if there is a relationship between the seller, builder, borrower, closing agent, etc
- Explanation as to what the non-lien pay-off's are, seller credits, etc (may include a reduction of the sales price)
- MERS

# Websites Offering False Documents

Listed below are examples of companies offering falsified documents:

## EXAMPLE #1:

### Replacement Bank Statements ([View Samples here](#))

This package includes the following: **1 Month, or 3 Months Bank Statements**

Please complete the order form below.

### What Happens Next?

We will send you an email with 2 download links.

This is for the statement transactions. One link gives you the option to complete an MS Word Document, and email it back to us. The second link enables you to complete your transactions securely online.

**When we have received this, we will then send you the final email which gives you some payment options. Please Note: We do not accept Credit/Debit cards.**

**Note, we can do International Banks also, Including the US/Canada**

Most clients pay cash/bacs into our account, as this enables discretion.

**Section 1 - Bank Statement** Title:First Name:Middle Name>Last Name:House Number:Street Name:Town/City:Post/Zip Code:Country:Telephone:Email:(Please note for Hotmail, Yahoo and other web based email accounts please also check your Junk Email folder for our reply)

Bank Statement:Other Bank:Service Level: Length

## EXAMPLE #2:

We are looking for credit partners that have good credit with at least 700 FICO Scores...A 720 FICO Score or more would be a lot better. credit partners will not have to use any of their money to make great profits as credit partner. Credit partners get paid at the close of escrow (up front cash) and paid again when the RE properties are sold in 4-36 months. Credit partners can earn \$10,000 to \$50,000 for each RE transaction that they do. They can do up to 24 transactions a year. That's a lot of money...

All deals are secured by real estate so is your credit. WE have hand written agreements and contracts with personal attorneys to protect you and your credit.

WE ARE LOOKING FOR SERIOUS INQUIRIES ONLY!!!

## **EXAMPLE #3:**

**Virtual Employment**

**...Info Box:**

**Our package offers you:**

**Confirmation letter of employment**

**Virtual Telephone Number**

**Business Cards if Required**

**Other Stationary and proof of employment**

## BROKER APPROVAL PROCESS

- Exception approvals to include QC in approval process
- MARI database
- Annual re-certifications
- Cautionary List

## PRE-FUND QC

- Audit of loans for broker's approved with exceptions
- Audit of loans containing "red flags" and/or confirmed misrep identified at the branch level/referred to QC
- SAR referral's
- Re-processing of loans
- QC to be part of the Watch/Termination process (account analysis)

## POST FUND QC

- Audit of loans for broker's approved with exceptions
- Audit of loans from other dept's within the company/partners (i.e. QA, Servicing, Investor referrals, etc).
- Re-processing of loans
- Data Mining (i.e. high risk areas, high risk products, resurgence brokers, high & low volume brokers, etc) audits
- QC to be part of the Watch/Termination process (account analysis)

## OTHER

- Fraud Detection tool part of production
- Underwriting Dept not reporting to Production
- Connected to industry groups to identify new schemes and trends
- MARI reporting
- Fraud Training for Production staff (on-going)
- Create & maintain a company website with links to schemes
- Broker Score Card to include “fraud” results
- Management reports to include “fraud” results
- Require Performance Action Plans from affected production branches