

# Fraud – What's New, What's Back and What Never Left

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# So Many Schemes..so little time

• Many times a single loan file will contain more than one scheme, for example, foreclosure bailouts, and/or property flipping may include the following:

- False income
- False employment
- Double or False Escrow/Contract
- Straw-buyer
- Falsified Appraised Value

# Types of Fraud

# Mortgage Fraud SARs



<b>Fiscal Year</b>	<b>SAR Submissions</b>
2007	46,717
2006	35,617
2005	21,994
2004	17,127
2003	6,936
2002	5,609
2001	4,210
2000	3,245

Source: FBI

# Mortgage Fraud Types-Origination 2007



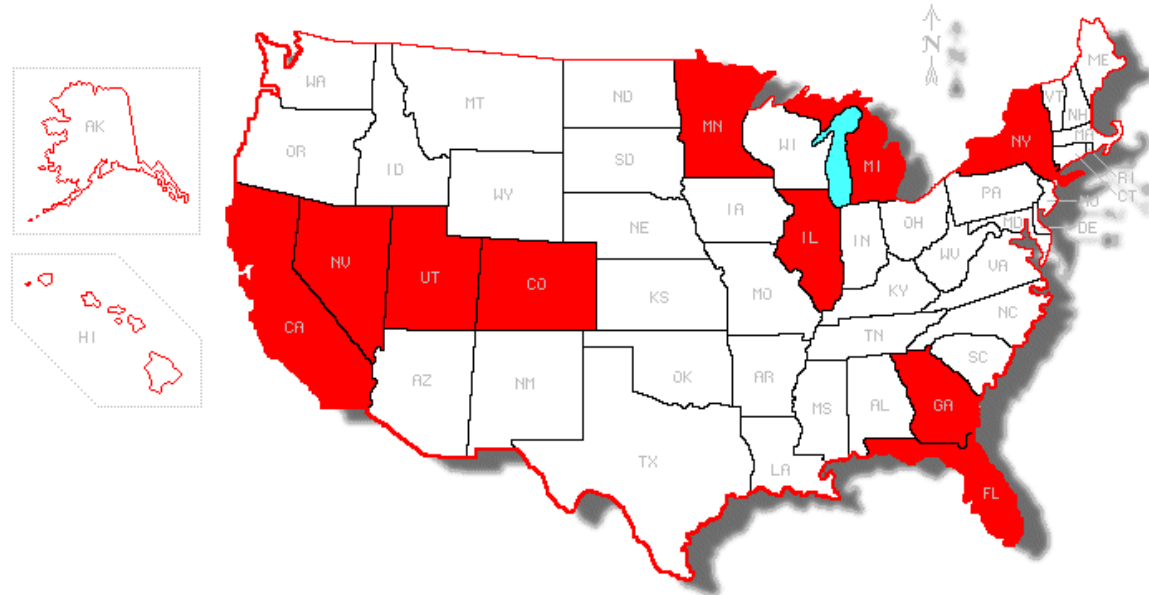
	All Fraud	Sub Prime
Application	60%	63%
Tax/Financial Statements	20%	22%
Verifications of Deposit	26%	23%
Appraisals/Valuations	16%	17%
Verifications of Employment	12%	12%
Escrow/Closing Documents	14%	10%
Credit Reports	9%	5%

It should be noted that the total percentage for each year exceeds 100 percent. That is because most incidents involve more than one type of fraud.

# Top 10 States in 2006 for Fraud

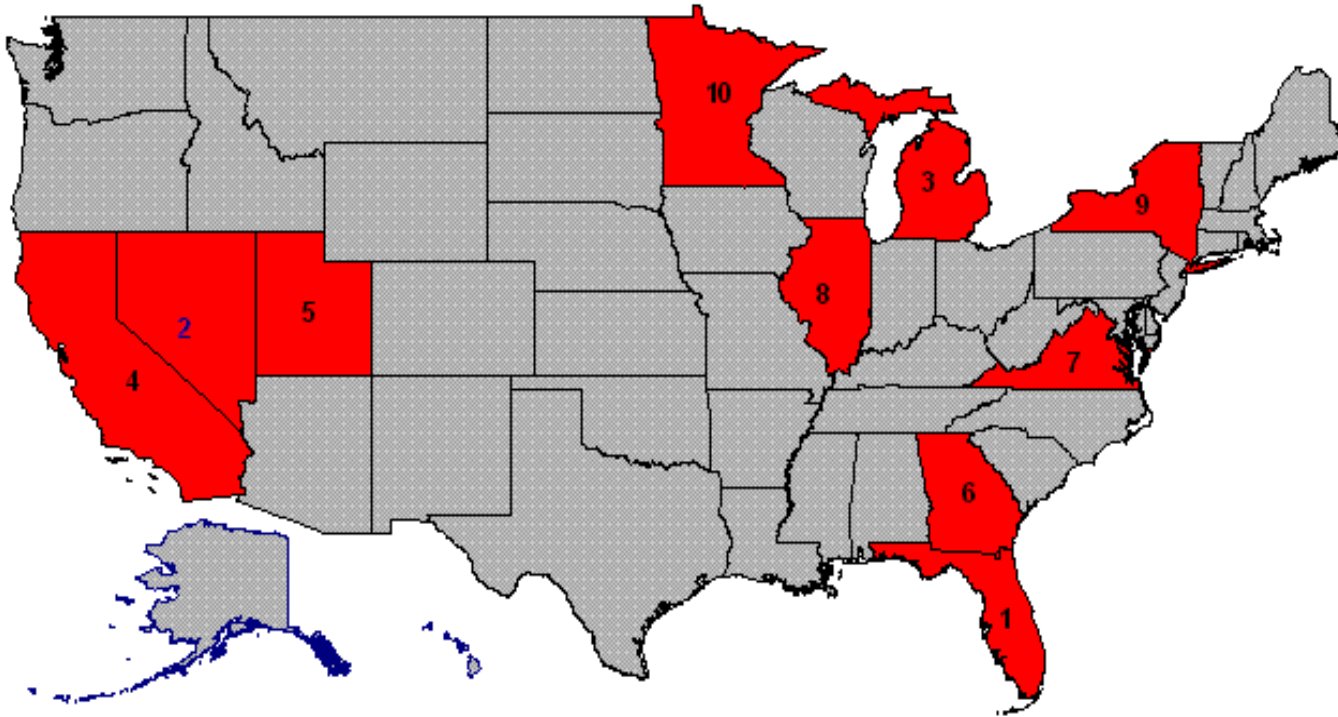
1. Florida
2. California
3. Michigan
4. Georgia
5. Utah
6. New York
7. Illinois
8. Minnesota
9. Colorado
10. Nevada

● - States Identified



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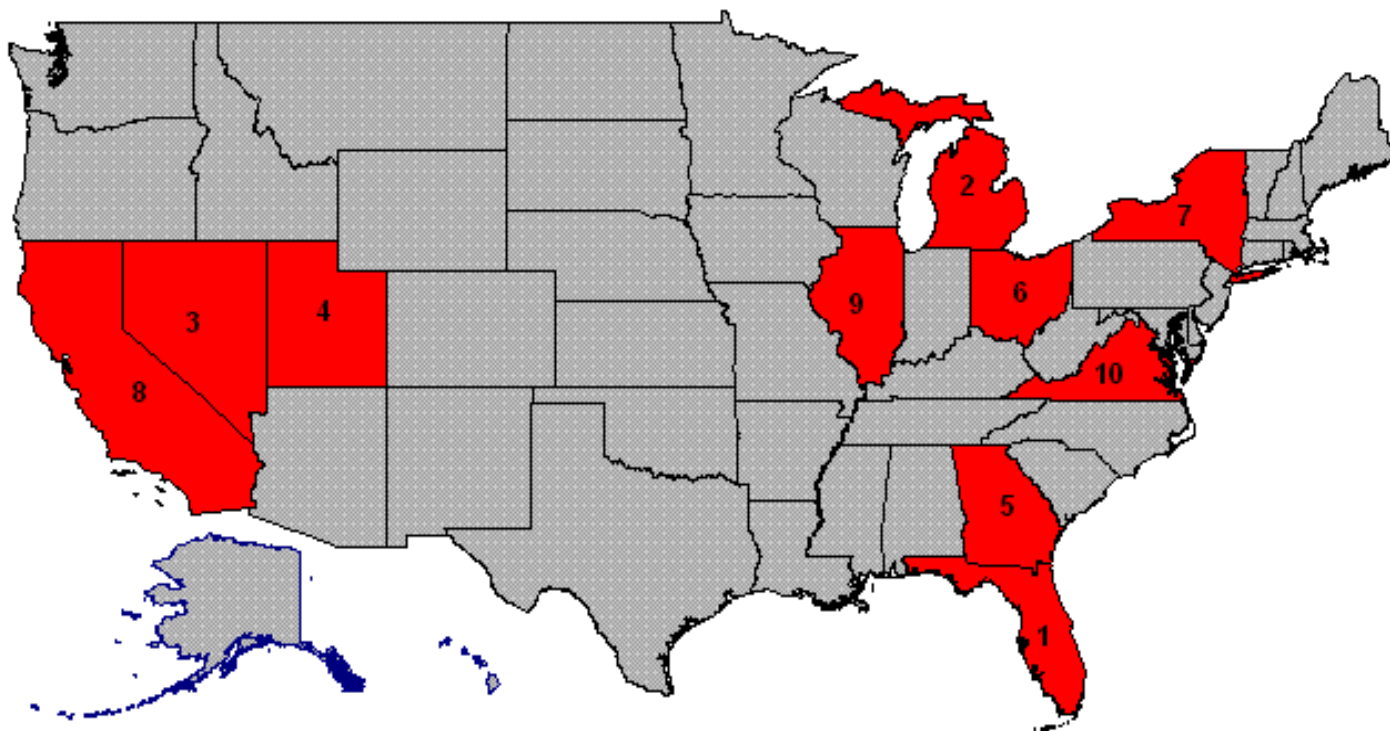
# Top 10 States in 2007 for Fraud



1. Florida
2. Nevada
3. Michigan
4. California
5. Utah
6. Georgia
7. Virginia
8. Illinois
9. New York
10. Minnesota

**Top Ten States Overall for 2007**

# Top 10 States in 07 for Fraud Subprime



1. Florida
2. Michigan
3. Nevada
4. Utah
5. Georgia
6. Ohio
7. New York
8. California
9. Illinois
10. Virginia

Top Ten States Subprime for 2007

# Employment is it real?



- **You Can Buy Anything on the Internet**
  - “Novelty” products is just a code word for “fraudulent documentation for sale”
    - Drivers Licenses
    - Social Security Cards
    - Diplomas
    - Paystubs
    - W-2 or 1099 Statements
    - Employment Written and Verbal Verifications

## Loan Servicing

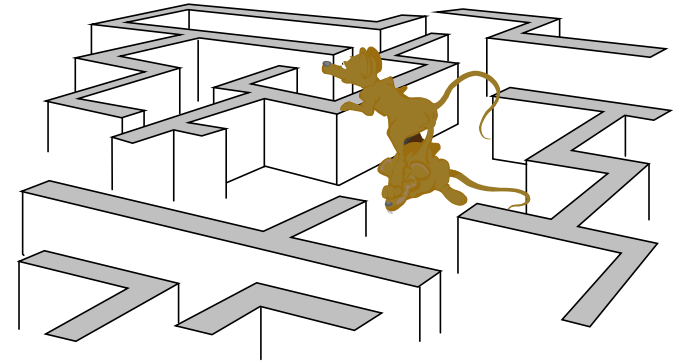
“When the Party’s Over”

# Identity Theft

- Underreported for years, the Federal Trade Commission (FTC) now says that as many as one in every eight adults and one in every four households has been victimized by identity thieves in the past five years. Ten million Americans in the past year alone have fallen victim to this destructive crime.
- The costs to individuals and businesses are astronomical and rising. The FTC reports direct out-of-pocket losses to consumers of \$5 billion during the last year alone, and says businesses and financial institutions lost a staggering \$48 billion during the same time period.

# Know the People.....

- Patriot Act
  - How you identify the borrowers
  - What do you look for?

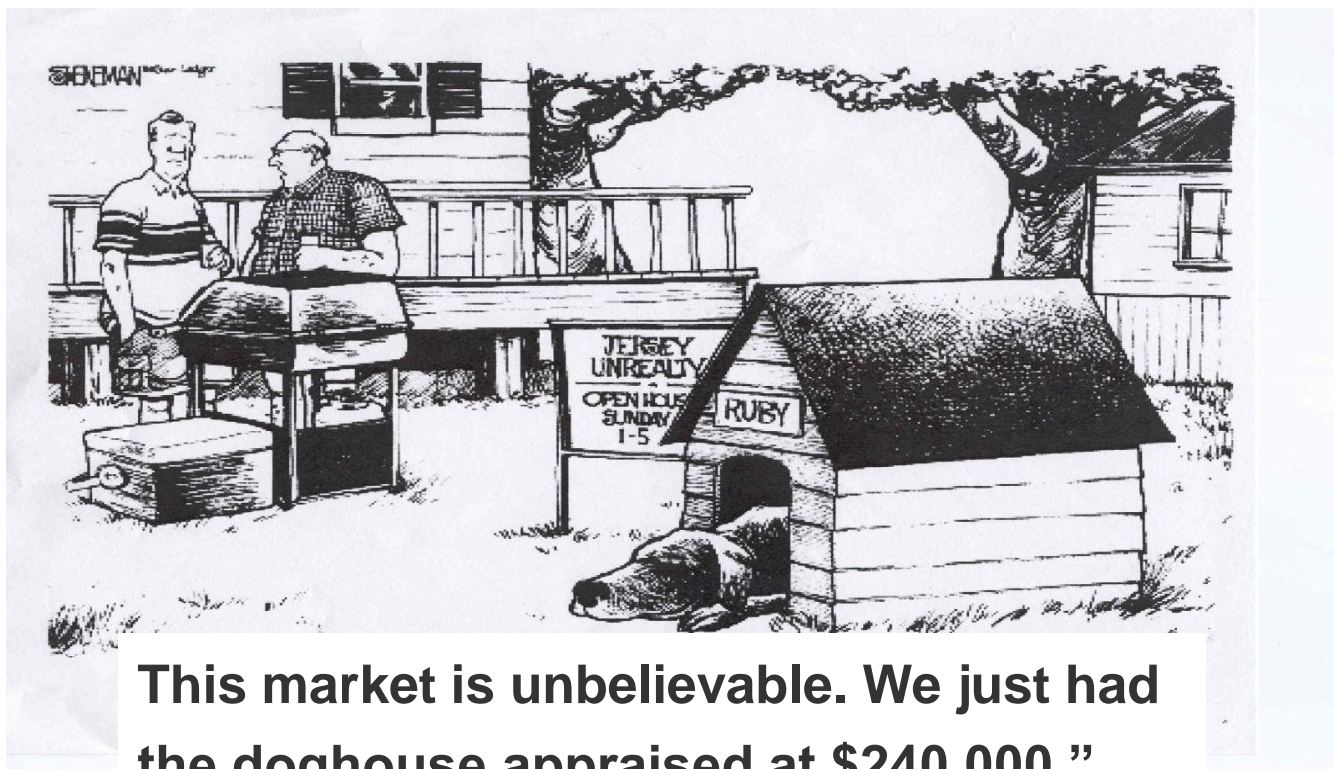


- Identity Theft
  - One of the fastest growing crimes in America. Identity thieves can rob you of money, time, affordable credit and your reputation — and you may not even realize it.

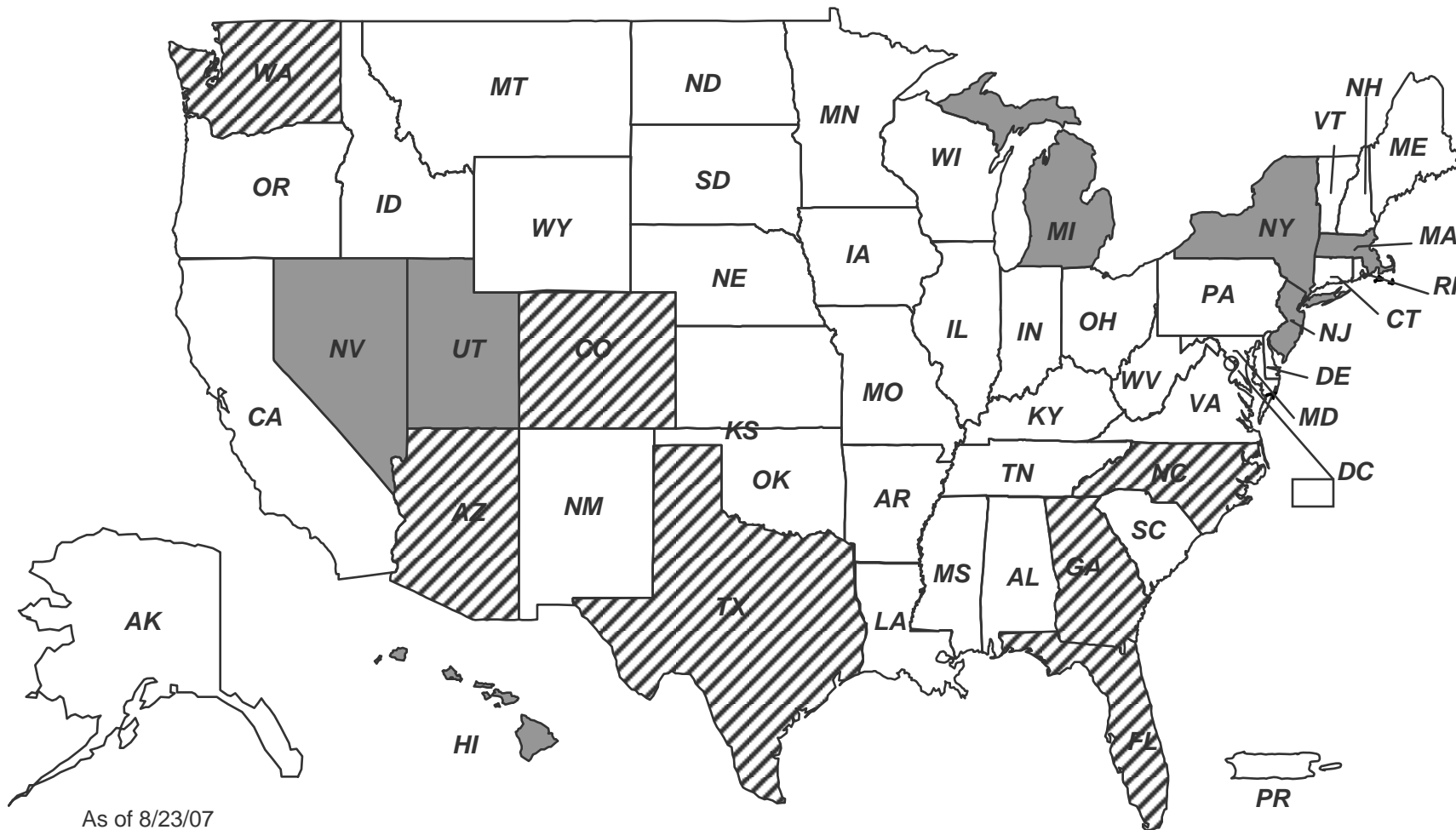
# Remediation


- File the SAR
- Notify the Investor
- Help the Identity Theft Victim
- Cooperate with Internal and External Investigators
- Recover the Loss


# Appraisal Fraud



# State Laws



 States with enacted mortgage fraud laws

 States with mortgage fraud bills pending 2007

# Appraisal Fraud - How Does It Work?

- Flipping



# Inflated Values

- Appraisal laws being passed in many states
- Control of ordering
- Rules and Regulations



Source – FBI Report May 2007

# Recovery

- Follow the Money
- Follow the Property
- Follow the Victim
- Follow the Participants

# Strategies

- Minimize Legal Risk
- Minimize Reputational Risk
- New regulations and legislation every year
- Compliance resources of lenders strained, as burden increases dramatically
- Secondary markets have stricter requirements and are testing more

# Analysis of the Parties

- Parties to track include the following:
  - Borrower
  - Seller
  - Realtor
  - Broker / Loan Officer
  - Appraiser
  - Settlement Agent
  - Notary
  - Title Company
  - Abstractor (if differs from Title Company)

Thank You!

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