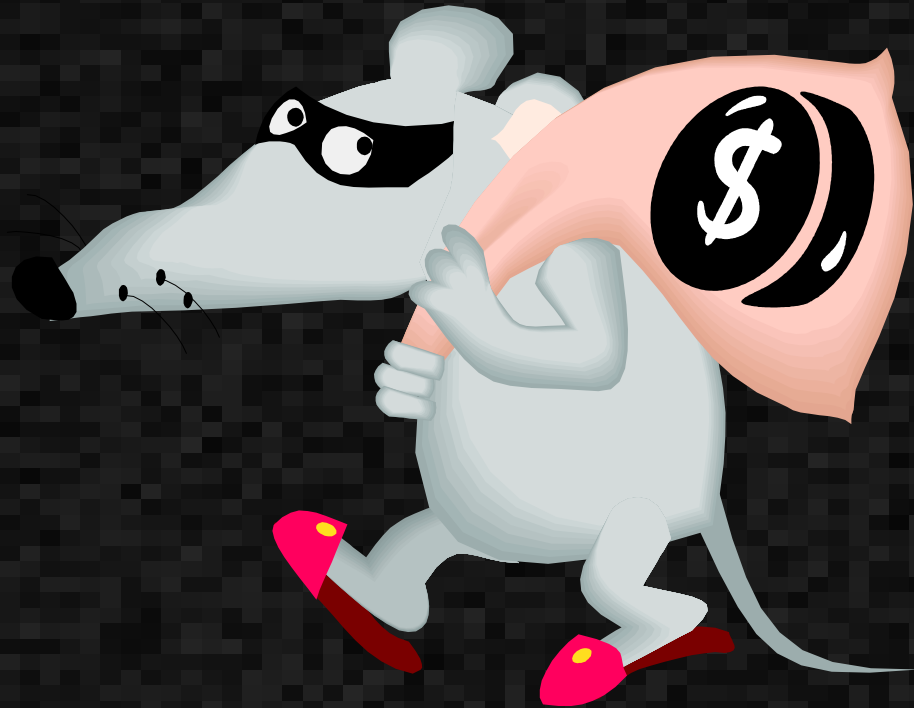


**ADDENDUM:**  
**How do YOU prevent fraud?**  
**March 17, 2007**

**Nancy Short Ferguson**  
**Sr. State Counsel, Vice President**  
**CHICAGO TITLE INSURANCE COMPANY**



**ADDENDUM:**  
**How do YOU prevent fraud?**



# FRAUD?

- ◆ Does the transaction make sense?
- ◆ Are there suddenly new parties?
- ◆ Understand the transaction, look behind the surface
- ◆ Attorney and title insurer must be satisfied with the “bona fides.”
- ◆ Is this realistic for this buyer?
- ◆ Are documents correct – i.e. not all saying “principal residence”?
- ◆ Remember: Mortgage broker, “dealer” is probably not the investor / lender!



## CHICAGO BULL VOLUME 1 EDITION 35

### *Fraud Stories: Are You Watching Your Back?*

Attorneys (and their clients) have recently been blind-sided, suffered significant losses, even had to serve prison time, by not recognizing some key recurring *fraudulent* schemes. So here are a few seemingly benign but highly toxic recipes for disaster!

1. **Quitclaim Deeds!** Such as to
  - a. To unrelated third parties for no consideration (i.e. forgeries), or
  - b. To "dealers" (really wheeler-dealers!) who may or may not find buyers and may or may not make the mortgage payment with any rent money ("Real Estate Resale Dealers" or "We Buy Homes" people),
  - c. To out-of-state unrelated "trustees" promising to "eliminate your mortgage!"
2. **Mortgage Elimination Schemes!** Property owner conveys title to an out-of-state trustee who then executes their own power of attorney purportedly on behalf of the lender, signs their own "satisfaction" as attorney-in-fact for the lender and quickly refinances without any payoffs (sharing a split of the profits, of course!)
3. **Unexplained cancellations!** Did your seller inherit a fortune recently or where did that payoff come from?
4. **Powers of attorney:**
  - a. To unrelated, non-bank attorneys-in fact
  - b. To a relative who is using the principal's assets to pay their personal debts!
5. **Trusts** with unrelated, non-bank trustee
6. **Multiple deeds on a single property**, either at closing or recently, for no apparent reason
7. (AKA "flipping"), especially without stamps or with significantly increasing stamps and/or without disclosure to the true lender. See 24 CFR Part 203.37, HUD's regulations on buying / insuring "resales."
8. "Accommodation fees" ("off the HUD") – "It's just between us; no one else needs to know!"
9. **Two (or more) HUD-1 Settlement Statements** for a single dosing – "One is for the lender, the other is for ..."
10. **Multiple inconsistent contracts** – especially with significantly different purchase prices or parties.
11. **Names with punctuation marks** instead of spaces, such as: "John.Smith-Jones". Have you heard of "freemen?" How do you search that on a computer?!
12. **Inaccurate stamps** on deeds, especially higher than the statutory rate! See 2001 FEO 12.
13. **Multiple recent transactions by a single investor** – How many "primary residences" can one person buy in 6 months?

#### WHAT YOU ALWAYS NEED TO KNOW:!

- ⇒ Does the transaction make sense?
- ⇒ Are there suddenly new parties?
- ⇒ Understand the transaction, look behind the surface – "Where's the Money?"
- ⇒ Are you and your title insurer satisfied with the "bona fide" of the transaction?
  - ⇒ Is this realistic for this buyer?
- ⇒ Are documents correct – i.e. not all saying "principal residence" if it's clearly not?
- ⇒ Remember: Mortgage broker, "dealer" is probably not the investor / lender!

\*\*\*\*\*  
**For even more information and resources, go to:**  
<http://www.freddiemac.com/sell/factsheets/pdf/qc.pdf>



# MORTGAGE FRAUD

## “THEMES” & “RED FLAGS”

- ◆ Multiple “primary residences” closed recently for same borrower
- ◆ Power of attorney to unrelated, non-bank attorney in fact
- ◆ Trust (especially “[Smith] Family Trust”) with unrelated, non-bank trustee
- ◆ Multiple deeds at closing
- ◆ Requesting changes in HUD or vesting at closing
- ◆ “Accommodation fees” (“off the HUD”)
- ◆ Two (or more) HUD-1 Settlement Statements
- ◆ Names with punctuation marks instead of spaces  
EX: John;Smith-Jones

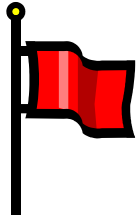
U.S. DEPARTMENT OF HOUSING AND HUMAN DEVELOPMENT SETTLEMENT STATEMENT		D. TYPE OF LOAN		
		1. FHA	2. FNMA	3. CONV. UNINS.
		4. VA		5. CONV. INS.
		6. File Number:		7. Loan Number:
		8. Mortgage Insurance Code Number:		
NOTE: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "[p.m.a.]" were paid outside the closing (they are shown here for informational purposes and are not included in the totals).				
1. NAME OF BORROWER: ADDRESS:				
2. NAME OF SELLER: ADDRESS:				
3. NAME OF LENDER: ADDRESS:				
4. PROPERTY LOCATION:				
5. SETTLEMENT AGENT: ADDRESS:		6. SETTLEMENT DATE:		
PLACE OF SETTLEMENT: Office of ADDRESS:				
F. SUMMARY OF BORROWER'S TRANSACTION		G. SUMMARY OF SELLER'S TRANSACTION		
<b>101. GROSS AMOUNT DUE FROM BORROWER</b>		<b>101. GROSS AMOUNT DUE TO SELLER</b>		
101. Central charges		101. Central charges		
102. Personal property		102. Personal property		
103. Settlement charges to borrower [line 100]	\$0.00	103.		
104.		104.		
105.		105.		
<b>Adjustments for items paid by seller in advance</b>		<b>Adjustments for items paid by seller in advance</b>		
106. City/town loans	In	106. City/town loans	In	
107. County loans	In	107. County loans	In	
108. Assessments	In	108. Assessments	In	
109.		109.		
110.		110.		
111.		111.		
112.		112.		
<b>102. GROSS AMOUNT DUE FROM BORROWER</b>	<b>\$0.00</b>	<b>102. GROSS AMOUNT DUE TO SELLER</b>	<b>\$0.00</b>	
H. AMOUNTS PAID BY OR IN BEHALF OF BORROWER		I. REDUCTIONS IN AMOUNT DUE TO SELLER		
113. Deposit or escrow money		113. Escrow deposit [see instructions]		
114. Principal amount of new loans		114. Settlement charges to seller [line 100]		\$0.00
115. Existing loans [take subject to]		115. Existing loans [take subject to]		
116.		116. Payoff of first mortgage loan		
117.		117.		
118.		118.		
119.		119.		
<b>Adjustments for items unpaid by seller</b>		<b>Adjustments for items unpaid by seller</b>		
120. City/town loans	In	120. City/town loans	In	
121. County loans	In	121. County loans	In	
122. Assessments	In	122. Assessments	In	
123.		123.		
124.		124.		
125.		125.		
126.		126.		
127.		127.		
128.		128.		
129.		129.		
<b>103. TOTAL PAID BY/ FOR BORROWER</b>	<b>\$0.00</b>	<b>103. TOTAL REDUCTION AMOUNT DUE SELLER</b>	<b>\$0.00</b>	
J. CASH AT SETTLEMENT FROM/ TO BORROWER		K. CASH AT SETTLEMENT TO/ FROM SELLER		
130. Gross amount due from borrower [line 102]	\$0.00	130. Gross amount due to seller [line 102]		\$0.00
131. Loan amounts paid by/ for borrower [line 113]	\$0.00	131. Loan reductions in amount due to seller [line 113]		\$0.00
<b>104. CASH [ FROM ] [ TO ] BORROWER</b>	<b>\$0.00</b>	<b>104. CASH [ TO ] [ FROM ] SELLER</b>	<b>\$0.00</b>	

# WARNING!!!!

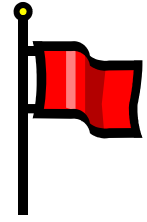
## HUD-1 MUST BE COMPLETE

&

## MUST SHOW ALL ASPECTS OF TRANSACTION!!!



**DO NOT FORGET**



**TO PREVENT MORTGAGE FRAUD**

- 1. Document to lender all funds in your transaction**
- 2. Make sure you disburse exactly as the HUD-1 indicates that you used for funding**
- 3. Make sure your seller and buyer/ borrower are who they say they are**
- 4. Read your lenders instructions**
- 5. BEWARE LAST MINUTE CHANGES!**

**SPECIAL CASE:**  
***Tax Stamps Must Be Accurate***

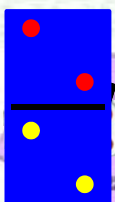
**DO NOT**

affix excess excise tax stamps to a deed!

2001 FEO 12



County Line





# WHAT TO DO?

- DO NOT ASSUME that the Register of Deeds can identify all of these!
- Be sure ATTORNEY & TITLE EXAMINER ARE COMMUNICATING!
- USE COMMON SENSE!
- IF QUESTIONABLE, CONTACT NCDOJ, Assistant AG's Harriett Worley or Lynne Weaver



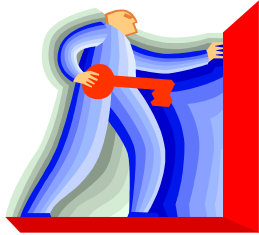
# Mortgage Fraud and how it affects YOU

## ⇒ Straw-Buyer

- No “real” buyer/borrower
  - Borrower paid to purchase property for a third party
  - Straw-buyers’ credit is normally sufficient to qualify
  - Usually the third party cannot qualify
  - Frequently, “phantom income/employment”
- Usually, “straw-buyer” buys property with high LTV new loan
  - Seller is cashed out
  - Third party makes NO or FEW payments
  - Third party takes rental funds from the tenant

# ⇒ Straw-Buyer

- Straw Buyer is often unaware that third party will not make payments
  - Does not realize that his/her credit will be affected
  - Usually finds out they have been duped by collection agency contact
- “Equity Skimming”
  - Debt problems
  - Owner quitclaims to “investor”
  - Investor “skims” any payments, rental, option
  - Default & foreclosure on owner



# Keys to discovering a straw-buyer scheme



Down payment check is drawn on an account that differs from that shown on the loan application



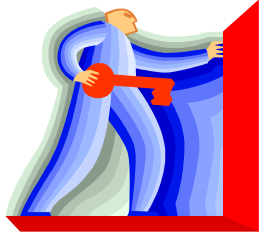
Names are added to purchase contract



HUD-1 indicates transfers or payments to brokers or third parties



**Quitclaim Deed** is used either right before or soon after closing



# Keys to discovering a straw-buyer scheme



**Sale is to a relative or related party**



**Little or no credit for borrower**



**Usually no substantiated down payment through the closing**



**Often, no real estate agent**

# **SPECIAL CASE:**

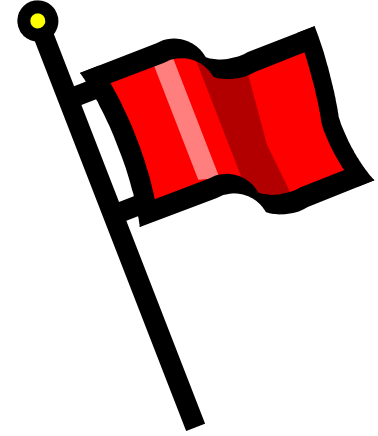
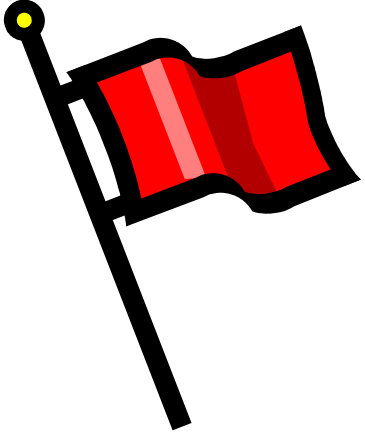
## ***“Mortgage Elimination” Schemes***

- ◆ Dorean Group, Scott Heineman, Kurt Johnson – “vapor money” argument – NCDNJ Temporary Restraining Order
- ◆ “debtnemesis.com”
- ◆ Other internet vendors of the schemes

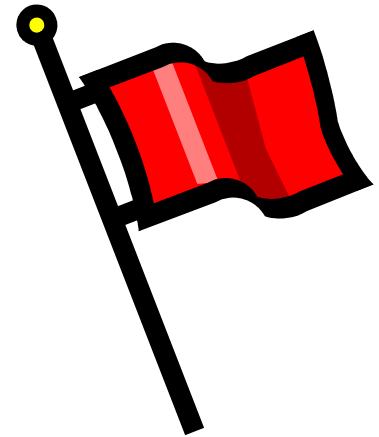
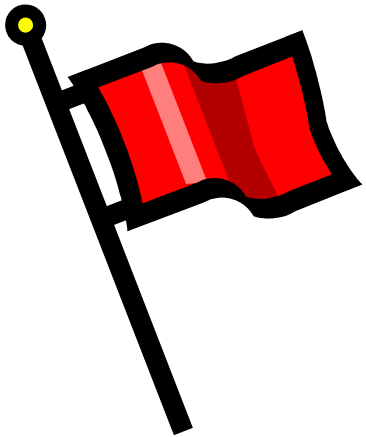


# Mortgage Elimination

- Internet sites
  - Mortgage elimination – over 2,590,000 hits
  - “mortgage elimination” – over 125,000 hits
- Charging consumers \$3,000+
- Consumer/debtor not “clean hands” since they participate
- Attorney General – Temporary Restraining Order statewide on Dorean
- Local courts, individual actions



***Unencumbered  
Property!!!!***



# **SPECIAL CASE: “Resale Dealer”**

## **“We Buy Homes”**

- Owner places home in “trust” subject to their lien
- “Dealer” says will find buyer
- Lease with option or contract with buyer rental until can get a loan
- “Dealer” gets both option fees, keeps the rent, may or may not make seller mortgage payments

# **SPECIAL CASE:**

## ***“Rental Investment Property”***

- Seller places property in “trust” or just signs over to “dealer”
- “Dealer” says rented, creates legitimate-looking package of credit report, usually inflated appraisal, etc.
- Buyer trusts and purchases to make money off margin of rental over payments

# SPECIAL CASE: “Flipping”

- ◆ Owner: Property conveyed multiple times within last year, *or at closing!*

*Many closing instructions  
request chain of title information.*

- ◆ Lender: Repeated refinances & costs

*Why the change???*  
Apply common sense!

# ⇒ Flips or Double Escrows

- Largest Real Estate scam in terms of the extent of damage it can cause.
- In order for flips to occur, especially on a large scale, must be two components:
  - Inflated appraisal
  - Closer who “looks the other way” or may participate in the scam
- The true nature of the transaction is normally “hidden” from the ultimate lender

# ⇒ **Flips or Double Escrows**

- May or may not be simultaneous closings
- Borrowers are sometimes paid to co-sign with a fictitious borrower
- Usually borrower unaware of flip

# ⇒ Flips or Double Escrows

## What can you do?

1. Use Title Commitment Flip Disclosure
2. Use Escrow Disclosure Forms
3. Make Certain the New Lender (*not just broker*) Signs Approval of Flip
4. Make Sure All Monies Deposited Are Disclosed Properly
5. READ YOUR LENDER'S INSTRUCTIONS – See Actual Language



# Lease/Option (\$193K)

## New “contract” (\$330K)

### PMDOT (\$72K)

- Always carefully read the lender’s instructions;
- Bring discrepancies to the lender’s attention - both verbally and *in writing*;
- Communicate directly with the lender;
- Send information directly to the lender;
- If the lender says “all is well” or verbally instructs you to close contrary to the written instructions, then the lender *must* send revised, written loan closing instructions *before* we can close;
- Pay attention when receipting in funds and show the receipt from the remitter, get Third Party Deposit Escrow Instructions and send copies of all documents to the lender.

## ⇒ **Builder Bailout**

- Second only to large flip scams in terms of the extent of damage it can cause
- Entire developments of partially built homes
  - Sold to straw buyers
  - Based on falsified financial information
  - Based on inflated appraisals
- Thereby bailing builders out of the short-term construction loans

# ⇒ **Builder Bailout**

## **Builder Bailout**

- Potential indicators of builder bailouts include
  - Repetitive use of the same attorney -- or settlement agent
  - Repetitive use of same appraisers
  - Repetitive use of employers
  - Borrower is barely qualified or unqualified
  - Sales price ad appraisals are inflated
  - No money down sales are included
  - “Silent” second mortgages

# ⇒ Mechanics' Lien Fraud

"Refinance" transaction

Recently recorded mechanic's lien on the property (or one will appear)

Usually, requests updated commitment to reflect lien.

Often, lien is backdated but recently recorded.  
**(First Clue!)**

# ⇒ Mechanics' Lien Fraud

## Placing of Record a Mechanic's Lien

Contract on the "suspect" property. Many times, a typed "invoice" of work to be done is attached to the document to be recorded.

Then, the unscrupulous "transaction arranger" seems to have a "justified" increase of value on the property as a matter of public record, such as:

- sale for an inflated value, based on filing of this mechanic's lien.
- higher appraisal based on inaccurate information that major improvements have been completed – big surprise – *no work has been done!*

Usually, someone will appear with a release prior to closing – stating that the lien has been paid in full.

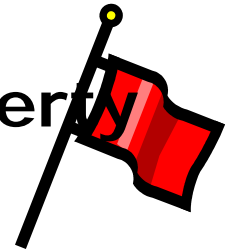
# ⇒ Appraisal Fraud

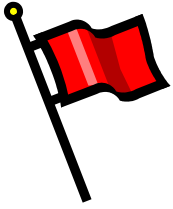
- If not for falsely inflated property values
  - Would be no excess cash to create the necessary
    - Gain or
    - Down payment
  - Most common in the TPO's (third party originations)
  - Omission or misrepresentation of key info influences lender's decision-making process

# Red Flags of Mortgage Fraud

## Closing

- ▶ Cash paid from buyer to seller *outside* of closing
- ▶ Down payment paid to mortgage broker *before* closing
- ▶ Sale is subject to seller acquiring property (flip/double escrow).
- ▶ Related parties to the transactions
- ▶ Seller is business entity perhaps actually related to buyer/borrower
- ▶ Unusual credits from seller to buyer
- ▶ Use of power of attorney





# Red Flags of Mortgage Fraud

## Closing

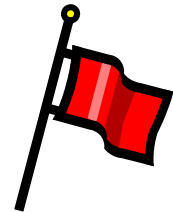
- ▶ No amendments to escrow
- ▶ Change of sales price to “fit” appraisal
- ▶ Purchase of the house is NOT contingent upon inspection
- ▶ Payments to third parties who do not have liens on the property
- ▶ Buyer/borrower required to use a specific loan broker/lender
- ▶ Odd amounts paid as deposit or down payment
  - Small money orders, cashiers checks, travelers checks
  - Funds not drawn on bank account shown on loan application & credit report



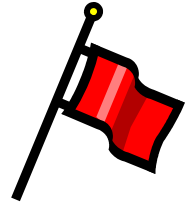
# Red Flags of Mortgage Fraud

## Closing

- ▶ No real estate commission
- ▶ Unusual credits or disbursements shown on settlement statements
- ▶ Cash proceeds to borrower in a sale transaction
- ▶ No monies due from buyer/borrower
- ▶ Discrepancies between the HUD-1 & closing instructions/purchase agreement.
- ▶ Difference in sales price on HUD-1 and purchase contract



# Red Flags of Mortgage Fraud



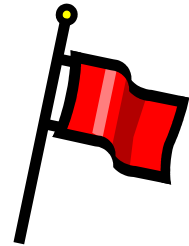
## Title Report or Commitment

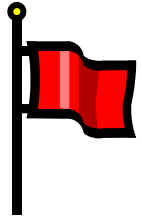
- ▶ Prepared for &/or mailed to party other than lender
- ▶ Income tax or similar liens against borrower on refinances
- ▶ Delinquent property taxes
- ▶ Seller not on title (possible flip/double escrow)
- ▶ Buyer has pre-existing financial interest in property
- ▶ Chain of Title – do you see buyer, real estate agent, broker?

# Red Flags of Mortgage Fraud

## Purchase/Sale Agreement

- ▶ No real estate broker is used
- ▶ No real estate agent signs the contract
- ▶ Excessive real estate commission
- ▶ Name and address on deposit check are different from the buyer on the contract
- ▶ Deposit checks have inconsistent dates
- ▶ Odd amounts used as earnest money
- ▶ Earnest money deposit check is not cashed
- ▶ Lease/option to buyer (recent?)
- ▶ Multiple contracts





# Red Flags of Mortgage Fraud

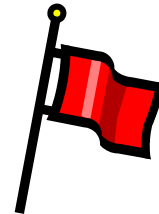
## Purchase/Sale Agreement

- ▶ Contract dated after credit documents
- ▶ Excessive real estate commission
- ▶ Power of attorney is used
- ▶ Sale is subject to seller acquiring title
- ▶ Seller is noted as a contract buyer
- ▶ Buyer is not shown as purchaser on contract
- ▶ Seller is a real estate broker relative, employer

# Red Flags of Mortgage Fraud

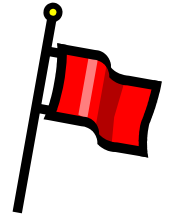
## Appraisals

- ▶ “For Lease” or “For Sale” sign – on refi’s
- ▶ Appraiser is not local
- ▶ Photos and comps look “too” familiar
- ▶ Occupant unknown
- ▶ Appraisal ordered before contract is written
- ▶ HUD or deed on original purchase is less than 2 years old for Refi’s.
- ▶ Photos reveal information not disclosed on appraisal
  - Commercial property next door
  - Railroad tracks
  - School



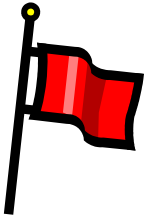
# Red Flags of Mortgage Fraud

## Appraisals



- ▶ Ordered by a party to the transaction
- ▶ Comps not verified or submitted by potentially biased party
- ▶ Failed to note that address is different than position plotted on map
- ▶ Undesignated appraiser
- ▶ Tenant shown as occupant on owner-occupied property
- ▶ Photo does not match description of property
- ▶ Appreciation in declining market
- ▶ Distance of comps (?different neighborhood?)

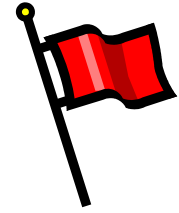
# Red Flags of Mortgage Fraud



## Credit Report

- ▶ Unable to confirm borrower's employment
- ▶ Employment info or history varies on loan application and VOE (verification of employment)
- ▶ No credit
  - Could be ID theft
  - Could be multiple social security numbers
- ▶ Recent inquiries from "other" lender
- ▶ Invalid Social Security Number or variance
- ▶ All accounts paid in full
  - Could mean a consolidation loan undisclosed.

# Red Flags of Mortgage Fraud



## Credit Report

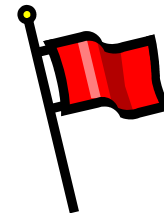
- ▶ Difference in information of loan application and credit report
- ▶ Length of time on file is inconsistent with borrower's age
- ▶ Co-borrower's maiden name shows data difference from application
- ▶ Over 25 with no credit history
- ▶ Personal information not consistent with handwritten mortgage application
- ▶ Borrower cannot be reached at place of business
- ▶ Multiple Social Security Numbers or names



# Red Flags of Mortgage Fraud

## Form W-2

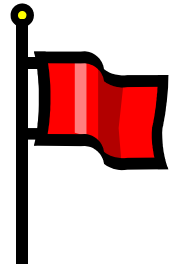
- ▶ Employer ID is formatted other than XX-XXXXXXX – may be invalid
- ▶ FICA wages/taxes and loan taxes exceed ceilings or set percentages
- ▶ Copy submitted is not “Employee’s Copy” – Copy C
  - Watch for change of font or type
  - Could be altered – look for cut and paste
- ▶ Form is handwritten – unusual and certainly by a large employer
- ▶ Hourly pay is rounded up

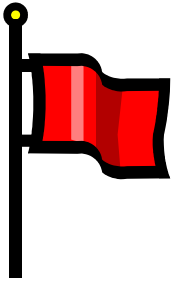


# Red Flags of Mortgage Fraud

## Verification of Employment (VOE)

- ▶ VOE not letterhead or standard Fannie Mae/Freddie Mac form
- ▶ Out of town employer – may signal false or non-existent firm
- ▶ Rounded dollar amounts
- ▶ Overlap of employment – current and past
- ▶ Date of hire was weekend or holiday
- ▶ Employer uses mail drop or P.O. Box
- ▶ Borrower changed professions
- ▶ Business entity does not exist or is not in good standing





# Red Flags of Mortgage Fraud

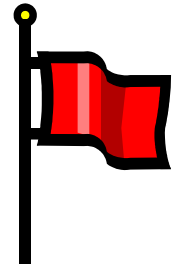
## VOE

- ▶ Illegible signature of person verifying employment and salary
- ▶ VOE completed same day as ordered or dated prior to VOE
- ▶ VOE says company car and loan application shows car loan
- ▶ Employee paid monthly vs. weekly or bi-weekly
- ▶ Answering machine for employer
- ▶ Watch for incorrect spellings
- ▶ Excessive praise in remarks section

# Red Flags of Mortgage Fraud

## Verification of Deposit (VOD)

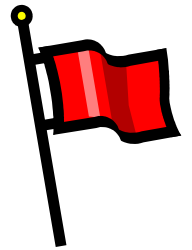
- ▶ Cash in bank is not sufficient to close
- ▶ Round dollar amounts
  - Especially on interest bearing account
- ▶ Watch for incorrect spellings
- ▶ Loan secured by checking or savings account
- ▶ Illegible bank employee's signatures with no further identification
- ▶ Excessive balance in checking account vs. savings account
- ▶ Date of certification by bank was a weekend or holiday

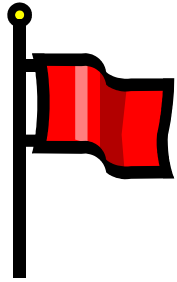


# Red Flags of Mortgage Fraud

## VOD

- ▶ VOD completed same day as ordered
- ▶ Deletions, cross outs
- ▶ If VOD not creased, may have been hand carried
- ▶ P. O. Box
- ▶ Checking account with average two-month balance exactly equal to present balance
- ▶ Funds for down payment on deposit for a short period of time
- ▶ Typeface or handwriting is not consistent throughout the form
- ▶ Low income borrower with large cash on deposit





# Red Flags of Mortgage Fraud

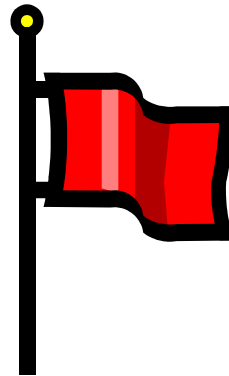
## VOD

- ▶ Account not in borrower's name or joint account with third party
- ▶ Look for date stamp of bank on VOD
- ▶ Credit union for small employer
- ▶ IRS is shown as source of down payment – Require proof of liquidation prior to funding
- ▶ Escrow receipt used as verification
  - may be personal check or
  - NSF or
  - Money from seller

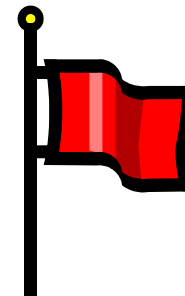
# Red Flags of Mortgage Fraud

## VOD

- ▶ Funds paid outside of escrow
- ▶ VOD "returned to sender"
- ▶ Squeezed in numbers on the VOD



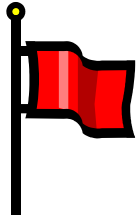
# Red Flags of Mortgage Fraud



## Payroll Check Stub

- ▶ Review stub for borrower's name & SSN
  - White out
  - Cut and Paste
- ▶ Review stub for deductions for child support, garnishment, etc.
- ▶ Watch for copies of stubs which are easier to alter
- ▶ Look for inconsistencies with employers you are familiar with





# Red Flags of Mortgage Fraud

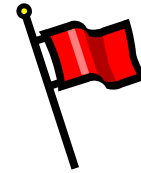
## Loan Application

- ▶ Watch for patterns or similarities in applications received from a specific seller, broker or loan officer
- ▶ Is there heavy concentration of loans to individuals related to a certain project?
- ▶ Are signatures on credit document illegible with no further identification?
- ▶ Consistency – is the applicant's handwriting consistent throughout the file?
- ▶ New housing is too small to accommodate occupants
- ▶ Buyer is downgrading from a larger to smaller home (except empty nesters)

# Red Flags of Mortgage Fraud

## Loan Application

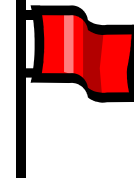
- ▶ Buyer resides in property (purchasing from landlord)
- ▶ Borrower intends to rent or sell current residence with no documentation
- ▶ Down payment other than cash
- ▶ Deposit or down payment is a promissory note
- ▶ Stocks, bonds not publicly traded
- ▶ Price and date of original purchase not shown for refinances
- ▶ Borrower is buying investment property but does not own current residence.

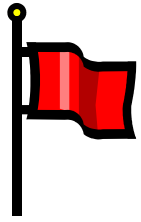


# Red Flags of Mortgage Fraud

## Loan Application

- ▶ P. O. Box is the only address for employer
- ▶ Same phone number for home and business (& broker?)
- ▶ Personal property value exceeds one year's salary
- ▶ High income borrower has little or no personal property
- ▶ New housing expense exceeds 150% of current housing expense.
- ▶ Source of down payment is repayment of a personal loan
- ▶ Unsigned or undated application



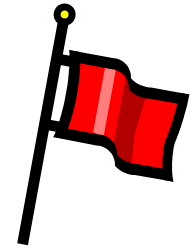


# Red Flags of Mortgage Fraud

## Loan Application

- ▶ Face of life insurance policy rather than the cash surrender is shown as a liquid asset.
- ▶ Borrower's age and the number of years employed are not consistent
- ▶ Unreasonable accumulation of assets compared to income.
- ▶ Borrower claims to have no debt – most unusual
- ▶ Excessive real estate currently owned
- ▶ Job title and responsibilities are inconsistent with high salary.

# Red Flags of Mortgage Fraud



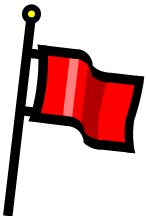
## Occupancy

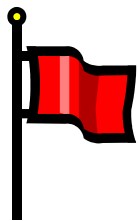
- ▶ Borrower owns one or more rental properties and the value of the primary residence is materially in excess of the value of the property the borrower intends to purchase as a primary residence, without sufficient explanation for the change
- ▶ Borrower has within the last three years purchased similar properties, which have later been rented.
- ▶ Borrower has within the last three years purchased one or more similar properties and occupied them for less than one year.

# Red Flags of Mortgage Fraud

## Occupancy

- ▶ Borrower is employed in a real estate or real estate related business and is moving the primary residence from a single family detached dwelling to a single unit of 2– to 5–unit property without sufficient explanation for the change
- ▶ Borrower has within the last 12 months purchased a property, represented to be owner-occupied, in the same or similar neighborhood.

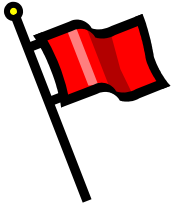




# Red Flags of Mortgage Fraud

## Occupancy

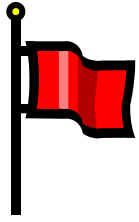
- ▶ Borrower is purchasing a home under one of the following circumstances which is not consistent with the intent to occupy:
  - Excessive distance from primary employment
  - Does not appear to be a desirable alternative to existing primary residence
  - Has not demonstrated a commitment to seller or leasing borrower's current primary residence
    - Listing or purchase agreement
    - Lease on the current residence
    - Other appropriate evidence



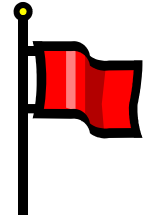
# More RED FLAGS

- Self-employed or 100 percent financed transactions
- Unwillingness of a principal to come in to sign
- No one from our office ever directly communicates with one or more principals to the transaction
- Use of a notary not designated by the attorney or lender
- Good faith and down payment funds paid outside escrow
- Elders and non-English speaking principals who do not understand the transaction
- Sale price that is significantly below market value
- No real estate agent or an attorney involved in transaction
- No public listings for the employer
- Little or no funds from the buyer coupled with one or more of the above Red Flag Warnings





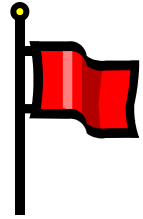
**DO NOT FORGET**



**TO PREVENT MORTGAGE FRAUD**

- 1. Document to lender all funds in your transaction**
- 2. Make sure you disburse exactly as the HUD-1 indicates that you used for funding**
- 3. Make sure your seller and buyer/ borrower are who they say they are**
- 4. Read your lenders instructions**
- 5. BEWARE LAST MINUTE CHANGES!**

# Mortgage Fraud is on the rise in the 21<sup>st</sup> Century



## **Fraud Prevention Needs to Be a Priority for All**

- **Scrutiny Can Prevent Fraud**
- **When It Doesn't Look or Feel Right, It Probably Isn't**
- **Make Sure That If You Receive Inquiries From HUD, TDI, FBI, Etc., You Contact the Company Immediately**

**REMEMBER  
THE  
“SNIFF TEST”**

*If it doesn't  
“smell” right,  
It probably  
isn't!*