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The American Dream

- Young couple saves money and start looking...
- Calls a Real Estate Agent...
- Find their home...
- Calls the mortgage company...
- Mortgage company calls the credit bureau...
- Credit bureau calls the mortgage company...
- Mortgage company calls the couple...
- Couple gets the loan and celebrates...
- A half dozen other professionals get involved...
- All the Is are dotted and Ts are crossed...
- Everyone signs documents...
- Couple gets the home and celebrates
- Everyone involved gets paid.

The American Scam; Soft Fraud

- Young couple has no money but wants the Dream...
- Calls a Real Estate Agent and produces a forged pre-approval...
- Find a home beyond their means...
- Has a friend who is a mortgage broker...
- Mortgage Broker calls the credit bureau and gets bad news...

- The Mortgage Broker calls the couple and states "we need to get creative"...
- The couple calls the agent to help get creative...
- The agent calls her appraiser to get an inflated appraisal...
- Other professionals get involved...
- The processor needs verification of income and employment...
- The Mortgage Broker inflates the couples income...
- The couple produces phony employment records...
- I's are dotted, T's are crossed, nobody thinks they've done anything wrong
- Everyone signs documents...
- Couple gets the home and celebrates...
- Everyone involved gets paid...
- 6 months go by and the couple is 3 months late on payments
- The fraud is discovered and the finger pointing begins

Mortgage Mafia; Hard Fraud

- Organized and ready, looking for a payoff...
- Investors, Builders, real estate agents, appraisers, title officers, bankers, underwriters, loan officers, processors, closers and attorneys with intent...
- Seek out first time buyers, unaware, uneducated, unsuspecting, elderly, poor, immigrant or desperate marks...
- Promises include opportunity, fast cash, no commitments and residual incomes...
- Documents are forged, lies are told...
- Properties are bought, flipped...
- The real estate agent takes their percentage, the loan officer takes their cut...
- The Mortgage Mafia rents out the house for 8 months...
- Everyone except the bank gets paid...
- 6 months later the notes unpaid...
- The lender gets stiffed, the victims face penalties...
- The Mortgage Mafia has another 50 loans in the pipe...

Organized Criminals

Statistics

- 80% involves insiders FBI
- 80%; over stated appraisals
- 80%; non existent properties
- 1400%; rise since 1997
- 150% rise since 2003
- \$2.7 trillion; new loans MBA
- 20 million; mortgages and refi's
- \$1 billion; estimate 2007 losses
- 10-15%; estimated loans involving fraud
- 2-3 million; estimate of loans involving fraud
- 7500; estimate of loans involving fraud daily
- 17,000; reports of suspicious activity
- 2%; Suspicious Activity Reports investigated.
- 80; average amount of documents signed in the purchase process

Costs of Fraud

- Civil and criminal penalties; not reporting under the Patriot Act or HUD regulations
- Internal Costs; retraining and hiring, lost reputation, lost business, auditing costs, fines, attorneys
- Repurchases, loan balances, home repairs
- Losses of time, energy and sleep

Fraud Is All About Timing

- Speed of technology; online, over the phone, fax, email, fake docs
- Automated loan processing: Internet to process loan applications is on the rise. Faceless transactions are ripe for fraud.
- The Honor System; all sheep - no wolves
- Real estate boom/refinancing rise in fraud = double whammy; no checks and balancing, pure volume of loans
- Mortgage broker originations: two-thirds of mortgage loans are originated by mortgage brokers. There are no national standards for licensing or overseeing mortgage brokers.
- Ice pick to an iceberg

“Creative” Financing

- Predatory lending;
- Subprime, stated (fraud) income, a.k.a liar loans
- No credit, bad credit, no money down, Option ARMs, FHA 97% financing – seller assisted 3% including down payment and closing costs and 100% programs using 80/20's, 103s
- Illegal immigrants
- First time home buyers
- Unsophisticated buyers
- Low income buyers
- Poor; often used as straw buyers
- Elderly; full equity fall victim to deed fraud

Criminals Wear Prada

- Perpetrators are in show biz. Directors, actors and actresses and extras
- White collar professionals
- Investors, Builders,
- Buyers, sellers,
- Real estate agents,
- Appraisers, title officers,
- Mortgage brokers, bankers, underwriters, loan officers, closers, Attorneys and YOU.

Real Estate Agents

- Any lender will tell you to get more involved
- REAs are perfectly positioned to aid in fraud; get scammed by buyers, facilitates fraud
- Middlemen in most transactions; starts doing the running for the buyer
- Boom in record number of agents in the business
- There at the beginning of transactions
- Benefit from approved loans
- As markets soften incentives for fraud rise
- RESPA Real Estate Settlement Procedures Act

Appraisers

Mortgage Processors

- Yesterdays telemarketer is today's mortgage broker
- Lender; originates and services the loan
- Broker; works for numerous lenders, consists of Loan Officers or Loan Originators, sells loans based on clients needs, does paperwork
- Processor; work with/for Broker, compiles documentation, verifies buyers documentation
- Underwriter; receives documentation from processor (Broker), evaluates eligibility and risks, verifies everything, determines salability to investors; serves banker, but may be in with broker
- Closers/Closing; final step for the buyer, seller, Real Estate Agent and Broker. Everyone gets what they came here for
- In-house lending; RE/MAX, Coldwell Banker etc

Builder

Attorneys

Investor

All touch it through the approval process

- Most have access to buyer's data
- Opportunity fraud; taking the path of least resistance
- White lies are lies
- Little lies become big lies because of greed
- Little lies become SOP
- Fraud exists because life is based on the honor system
- Fraud exists because it pays very well
- Friends, family, co-workers, employers, employees, vendors
- People don't see fraud as bad until they are caught
- Fraud is addictive like alcohol, drugs, sex and gambling

Verifying Documentation

- IDs
- Social Security Cards
- Green cards
- Pre-qualification pre-approvals
- VOE
- Credit reports
- Housing histories, deeds, titles
- Appraisals
- Asset documentation
- Real estate contracts
- Utility bills
- Professional licensing
- W-2 forms
- Pay stub
- Tax returns
- Rent verification
- Rental histories

Forgery

- False statements on loan applications
- Exaggerated appraisals
- Forged tax returns
- Fake social security numbers
- Fabricated gift letters
- Fake letterhead
- Forged notary seals,
- Forged signatures
- Spouses forging one another's signatures
- Signatures forged by loan closing services
- Credit histories don't match payment histories
- Employment information
- Income statements
- Fake promissory notes
- Fake power of attorney documents

The Speed of Technology

- Adobe Acrobat; allows changes to unlocked PDFs
- QuickBooks; creates fake pay stubs, W-2s
- Microsoft Word; letterhead
- Avery Label Maker; business cards
- ID Maker Pro; creates fake IDs

Turbo Tax

- Allows the creation of fake tax returns

Business Cards

Easy Letters

Versa Check

- Creates personal checks

Pre-qualification

Credit Authorization

Good Faith

Net Sheet

Identity Theft

- Identity Theft and Assumption Deterrence Act 1998

“Knowingly transfers or uses, without lawful authority, a means of identification of another person with intent to commit any unlawful activity.”

Identification

- Name
- Social Security number
- Address
- Date of birth

Legal Forms of ID Circulating

- 49 valid versions of Social Security cards
- 14,000 types of birth certificates
- 200 plus forms of driver's licenses
- 14 States no photo
- Signature?

Fake Id

Identity Theft Red Flags

- Tenant shown to be occupant in owner occupant loan or refi
- Professional stealing client's identities
- Professionals using other professional names
- Fake IDs

I.D. Checking Guide

- Profile of Contents:
I.D. Checking Guide, U.S. & Canada Edition
- A full page for each State or Canadian Province's licenses.
- Coverage of State-issued ID cards for non-drivers.
- "How To Check Driver's Licenses" explained and illustrated.
- State or Province license extension policies for Military personnel.
- Key military and immigration IDs.
- Puerto Rico & Mexican (Federal) driver's licenses.
- Social Security issuance (cross-check of numbers).
- Department of State driver's license.
- Major bank cards (with security contacts).
- Auto license plates & current sticker requirements.

Used by over 100,000 subscribers - including law enforcement, banking, alcohol and cigarette sellers, retailers, car and truck rental, and government agencies (including the F.B.I.).

Every valid driver's license format shown in actual size and full color, so no "con artist" can fool you.

New license formats in the 2007 edition:

New documents:

- Consular ID cards for Colombia, Guatemala, and South Korea
- U.S. Passport (most current version of the 12+ formats still valid)
- Form I-179 I.D. Card for Resident Citizen in the U.S.
- Form I-327 Reentry Permit
- Form I-571 Refugee Travel Document
- Form I-94, I94W Arrival/Departure Record
- Form N-550, N-570 Certificate of Naturalization
- Form N-560, N-561 Certificate of U.S. Citizenship

Also:

California: Change in organ donor notation

Florida: Adding red "TEMPORARY" to licenses/ID cards issued to non-immigrant

Indiana: Vertical minor's format expected in 2007

Tactics

- Credit enhancement; any act of manipulating credit standing or adding a person to another credit with good standing
- Bribing mortgage company employees
- Financial incentives to find buyers
- Financial incentives to provide employment records
- Steal identities of loan originators,
- Steal identities of buyers
- Targeting poor neighborhoods
- Straw buyers
- Straw buyers who sign power of attorney to someone with fake IDs
- Direct mail making false statements about receivers financial status

Fraudulent Acts

- Overvalued appraisal
- Manipulating contracts
- Mis-information
- False or incorrect statements
- Falsifying sources of down payment
- Lying about occupancy
- Identity Theft
- Forgery
- Types of Loan Fraud
- Shotgunning; applying for multiple refis
- Deed fraud; file false quitclaim deed giving ownership
- Discharge fraud; falsifying a discharge to refi
- Double closings; borrowers signing multiple mortgages on the same property which settle quickly and prevent the lenders from discovering the fraud
- Cash back; inflating appraisals to pocket the difference, any cash not disclosed, everyone benefits
- Equity skimming; straw buyer is duped into turning over to investor who rents out, refis and runs
- Flipping; buying, inflating appraisals,
- Foreclosure fraud; scammers get signatures for deed transfers and re-mortgage

Foreclosure Fraud

- 1.2 million; foreclosures in 2006
- 42%; rise in foreclosures since 2005
- 1 in 92; households ending up in foreclosure
- To avoid being scammed;
- Contact lender to work out payments
- Carefully review documents before signing
- Signing any kind of deeds means you're selling your home
- Be aware of people contacting you offering bargain loans or easy credit

Red Flags

- Information presented is suspicious
- Builders, buyers, sellers, real estate agents, appraisers, title officers, underwriters, loan officers, closers, attorneys often work together or only with each other.
- Excessive amendments or extensions
- Unsigned amendments or extensions

- Signatures not matching
- Signs of forgery
- Missing information
- Not having proper ID; fleeing at closing
- Rushed closings within 2 weeks
- Classic flip; Property being sold for 30-50% higher than previous sale in short time frame
- Irresponsible catch phrases conducive to fraud, when you know better

Documentation Flags

- Not original documents. Get stamps or signatures certifying true copies
- Missing information on pay stubs
- Missing information on applications
- Produced by relative, friend or low-level employee
- Whiteouts
- Rounded numbers
- Handwriting matches through out document where it's not supposed to
- Type is different through out document
- Can't verify name of signatures of employers
- W2s look odd, typed, hand written. Illegible, misinformation.
- Tax returns not signed

VOE Flags

- PO Boxes
- Address doesn't jive
- Can't reach a person when calling
- No answer when calling
- Rings busy
- Wrong number
- Answering services during business hours
- Cell phone numbers
- Odd extension numbers
- Unprofessional voicemail or answering machine
- Non licensed professional
- Non licensed business
- Self employed or Other

Property Red Flags

- Non verifiable comps; property hasn't closed yet
- Someone other than attorney takes the clients place at transactions/meetings without signed documentation
- Appraisal is inflated
- Appraisal photos don't match current look; photos of tear downs
- Appraisal inflated due to location views, amenities etc.
- Property shows a for rent sign on an owner occupied home
- Advertisement "for rent" in the local papers
- Other agents have worked with client unsuccessfully

Income flags

- Salary.com
- Excessive income
- No prior earnings
- All commission/consulting; has to add up
- Base pay and overtime sync
- Date issues; gaps in employment
- Holidays listed as employment dates
- Weekends listed as employment
- Signature dates of parties all match
- Doctor driving a pinto?

Shells

- Employers and Asset Verification
- Companies set up for 2 purposes
- Providing documentation of employment, pay stubs and asset verification
- Shells write letters, respond to phone calls
- Shell receives payment per transactions

Prevent Fraud

- Identify clients from the very beginning
- Be more involved in transactions
- Get very acquainted with brokers, loan officers, processors and closers
- Employee background checks
- Require those you work with to verify employee backgrounds
- Check licenses of everyone including fellow employees
- Carefully review appraisals; Agents get involved when appraisal is low
- Request previous appraisals
- Do your own comps
- Insist on honest appraisals
- Site inspections; actually a house etc
- Asset searches
- Public records search

Solutions

- Informed about previous and new scams
- Fraud prevention programs
- Report perpetrators when they are rehired
- Attend seminars about mortgage fraud
- Goggle news alerts
- CIO on Mortgage fraud within the office
- Create a Fraud Control Plan, reporting employees, buyers, other agencies etc
- Anonymous reporting
- When conducting transactions set up email to CC everyone involved with the transaction from beginning to end.
- Ethics training

Responding to Fraud

- Inform legal council
- Document everything
- Document how you discovered the fraud
- Document where the fraud occurred
- Document everyone involved in all transactions
- Be open, upfront, honest, even if you were partly at fault
- Save all emails
- Respond accordingly

Laws Broken

- Mail and wire fraud
- Mail and bank fraud
- Theft by deception
- Racketeering
- Criminal mischief
- Felony conspiracy
- Making false statements
- Money laundering
- Willful blindness

Resulting in;

- Prosecution
- Job loss
- Civil action
- Loss of licensing
- Criminal Prosecution

Typical Criminal Prosecution Process

1. An allegation of a crime is committed
2. The appropriate law enforcement agency investigates and either issues a citation, arrests the offender, or forwards the case to the prosecuting attorney for discovery review.
3. If case is forwarded to prosecuting attorney and prosecutor finds a criminal charge is appropriate, an indictment is made and a petition or complaint is filed in District Court.
- 4a. if a misdemeanor charge:
 1. Arraignment Hearing
 2. Pre-trial Hearing
 3. Trial
 4. Sentencing
- 4b. if a gross misdemeanor or felony charge:
 1. First Appearance (Rule 5 Hearing)
 2. Second Appearance (Rule 8 Hearing)
 3. Omnibus Hearing
 4. Settlement Conference
 5. Trial
 6. Sentencing

Victim to-do

- If you find your clients have been a victim of mortgage fraud;
- Contact your attorney
- Contact client to discuss default status
- Assist in completing any documentation

- Assist client in selling a defaulted property
- Assist client in buying another property
- Assist client in researching status

Social Security Number Red Flags

- Does the SSN match when pulling credit
- Does the SSN jive with the SSA
- Does the SSN match the persons age
- Does the SSN match a deceased person
- Does the SSN match a child

SSN Explanation

Social security numbers (SSNs) are not random numbers. They are assigned regionally and in batches.

The nine-digit SSN, which has been issued in more than 400 million different sequences, is divided into three parts:

Area numbers - The first three numbers originally represented the state in which a person first applied for a social security card, but not necessarily lived or was born. Numbers started in the northeast and moved westward. This meant that people on the east coast had the lowest numbers and those on the west coast had the highest. Since 1972, the Social Security Administration (SSA) has assigned numbers and issued cards based on the ZIP code in the mailing address provided on the original application form. Since the applicant's mailing address doesn't have to be the same as his residence, his area number doesn't necessarily represent the state in which he resides. For many of us who received our SSNs as infants, the area number indicates the state we were born in. You can find out which area numbers go with each state here.

Group numbers - These two middle digits, which range from 01 through 99, are simply used to break all the SSNs with the same area number into smaller blocks to make administration easier. (The SSA says that, for administrative reasons, group numbers issued first consist of the odd numbers from 01 through 09, and then even numbers from 10 through 98, within each area number assigned to a state. After all the numbers in group 98 of a specific area have been issued, the even groups 02 through 08 are used, followed by odd groups 11 through 99.)

Serial numbers - Within each group designation, serial numbers -- the last four digits in an SSN -- run consecutively from 0001 through 9999.

The chart below shows the first 3 digits of the social security numbers assigned throughout the United States and its possessions.

In 1938 when the E. H. Ferree Company in Lockport, New York decided to promote its product by showing how a Social Security card would fit into its wallets. A sample card, used for display purposes, was placed in each wallet, which was sold by Woolworth and other department stores across the country. The wallet manufacturer's vice president thought it would be clever to use the actual SSN of his secretary, Hilda Whitcher.

Even though the card was printed in red (the real card is printed in blue), was half the size of the real card, and had "Specimen" printed across the front, many people used the SSN. Over time, the number that appeared (078-05-1120) has been claimed by a total of over 40,000 people as their own. The SSA initiated an advertising campaign stating that it was incorrect to use the number. (Hilda Whitcher was issued a new SSN.) However, the number was found to be in use by 12 individuals as late as 1977.

Code of Ethics

- Honesty
- Professional
- Confidential
- Compliance
- Disclosure of financial interests

Resources

HUD

You can call us toll-free at - 1-800-347-3735

You can fax us at - (202) 708-4829

You can e-mail us at - hotline@hudoig.gov

HUD OIG Hotline (GFI)

451 7th Street, SW

Washington, DC 20410

Mortgagedaily.com

<http://stopmortgagefraud.com/>

Privacy is DEAD

How Does a Thief Obtain The Parts

- Stealing incoming mail
- Stealing outgoing mail
- Incorrectly getting mail
- Changing mailing address
- Going through your rubbish
- Someone-else's rubbish
- Steal from your home- known- unknown
- Steal a wallet or pocketbook
- From Inside an organization
- Phone book
- Online, birthday sites, ancestor, 411
- Public records; courts, tax assessors
- From your license plate
- Intercepting cordless or cellular transmissions
- Star38
- Internet hacking
- You tell them

Social Engineering a.k.a Pretext Calling

- Thief's pose as You
- Spouse
- Bill collector
- Bank
- Merchant / Organization
- Fellow employee
- Government agency
- Landlord

Internal Threats and Social Engineering

- Banks, Creditors, Financial Agencies, Credit agencies
- Utilities; gas, oil, water, electric, phone, cell phone
- Memberships; video clubs, gyms, civic groups, associations
- Vendors; attorney, contractors, freight carriers, accountants
- Services; mechanics, cleaners, day care, hospitals
- Government agencies; IRS, Vital Statistics, SS Administration, Law Enforcement, DMV, Post Office
- Insurance companies; health, dental, auto, home, life, business
- Employer, Landlord

Prevention Don'ts

- Don't leave your wallet/purse in your car
- Don't carry SS cards, birth certificates or passport unless necessary.
- Don't carry more than 1-2 credit cards
- Don't keep PIN #s and passwords in wallet /purse
- Don't use common passwords; mothers maiden, birth date, last 4 of SS or phone, dogs, kids name, consec #s
- Don't have SS# or driver's license# printed on checks
- Don't write account numbers on the outside of envelopes
- Don't list name and number in telephone book
- Don't communicate personal information over the phone; SS#, birth date, mothers maiden, CC#
- Don't have bank ordered checks delivered to your mail box
- Don't leave receipts lying around

Solutions

- SmartCards
- Biometric Identifiers
- Fingerprinting
- Iris scans
- Facial recognition
- Voice recognition
- US-VISIT Biometric Enter/Exit
- Passports: fingerprint and iris scans at airport checkpoints. Oct 26th to enter US

Resources

To be removed from direct mail lists

Direct Marketing Association

Mail Removal List

POB 9008

Farmingdale NY, 11735

www.the-dma.org

To be removed from telemarketing lists

DMA Telephone NO CALL LIST

POB 9014

Farmingdale, NY 11735

To Opt Out of Pre-Approved CC Offers

1 888 5 OPTOUT

Federal Trade Commission (FTC)
Identity Theft Clearing House
Washington DC, 20580
1 877 ID THEFT
www.consumer.gov/idtheft
1 877 FTC HELP
www.ftc.gov

Postal Service Mail Hold 1 800 275 8777
Postal Inspector www.usps.gov/websites/depart/inspect

Resources

3 free credit reports a year (one from each bureau)
www.AnnualCreditReport.com
POB 105281
Atlanta GA 30348
877 322 8228

Credit Bureaus

EXPERIAN (Formally TRW)
POB 1017
Allen, TX 75013
To report fraud or request a report: 888 397 3742 or 800 682 7654
www.EXPERIAN.com

EQUIFAX

POB 740241
Atlanta, GA 30374
To report fraud or request a report: 800 685 1111 OR 800 525 6285
www.EQUIFAX.com

TRANS UNION

POB 97328
Jackson, MS 39238
To report fraud or request a report: 800 680 7289 or 800 888 4213
www.TRANSUNION.com

Robert Siciliano

Robert Siciliano is a Boston based Professional Speaker, Personal Security Consultant and president of 3 security related companies. He is certified under the guidelines of the Massachusetts Board of Nursing to train healthcare workers on personal safety. He has 18 years of security training in martial arts, personal body guarding, bar-room bouncing and observing the human condition. He is the author of 2 books including The Safety Minute: Living on High Alert; How to take control of your personal security and prevent fraud His seminar topics include; Safe Travel Security, ID Theft Security, Computer Security, Workplace Violence, Nurse Security, Realty Security, Self Defense, Children Security and Public School Security. Robert has appeared in Mademoiselle, Good Housekeeping, Consumer Digest, the NY Times, and Boston Herald, on national TV including CNN, FOX, MSNBC, the Montel Williams, Sally Jesse Raphael, Howard Stern, David Brenner, and the Maury Povich talk shows.

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