



Marion County Recorder

"Mortgage Fraud"

Definitions of Mortgage Fraud

The FBI defines mortgage fraud as "any material misrepresentation or omission relied upon by an underwriter or lender to fund, purchase or insure a loan"



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Types of Mortgage Fraud

Fraud for Housing - Involves a person lying on his or her loan application, to qualify for a loan that he or she otherwise would haven't qualified. The motive for this type of fraud is to acquire property by falsifying lender or recording documentation.

Fraud for Profit – Involves a number of professionals working together to inflate the price of a home or to issue loans based on fictitious homes. The motive for this type of fraud is to fraud the lender and buyer in order to acquire cash. This type of fraud is less common but is on the rise.



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Willing Participants of a Fraud

- ❖ Real Estate Agent
- ❖ Mortgage Broker
- ❖ Developers
- ❖ Sellers
- ❖ Appraisers
- ❖ Notary Publics
- ❖ Title Companies/Closing Agents



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Unwilling Participants

- ❖ Homeowners
- ❖ Buyers
- ❖ Sellers
- ❖ Lender
- ❖ Title Companies/Closing agents
- ❖ Neighborhood



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Types of Willing Mortgage Fraud

- ❖ Equity Skimming
- ❖ Property Flipping
- ❖ Mortgage related identity theft
- ❖ Undisclosed kickbacks
- ❖ Silent second mortgage
- ❖ Falsifying employment income
- ❖ Non-owner occupant claiming occupancy



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Equity Skimming

- ❖ The buyer acquires a loan on a property using false documentation
- ❖ The buyer then deeds the property to the investor and the investor leases the property out and collects the money for those months
- ❖ The loan is not paid, the investor and buyer are not responsible for the loan and they split the lease fees and the property eventually is foreclosed on



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Property Flipping

- ❖ Buyers buys a property and acquires an inflated appraisal on a property and quickly sells the property at a higher price to an associate in the scheme (sometimes several individuals maybe involved). The group may re-purchase this property several times before they let it go to foreclosure to a victim lender.



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Mortgage Related Identity Theft

- ❖ When stolen identities are used to purchase or acquire a deed for a property. This could be a part of a whole identity theft scheme.



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Undisclosed Kickbacks

- ❖ Parties strike a deal with the agent, developer, buyer or seller to exchange a big check or cash at closing without advising the lender in an addendum or the purchase agreement. In other words purchasing the property through the lender at one price (usually inflated) and then splitting the funds.



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Silent Second Mortgage

- ❖ A borrower without a down payment can commit a mortgage fraud by borrowing the down payment from the seller exchange for giving the seller a silent second mortgage, which is not documented at the time of closing or upon recording.



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Falsifying Employment Income

- ❖ Stated income loans were originally created for self-employed individuals whose income is difficult to verify, but some employed borrowers inflate their income above and beyond the W-2



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Non-owner Occupant Claiming Occupancy

- ❖ Lenders offer higher interest rates and less favorable terms to non-owner occupants because the lender's risk is higher



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Problems

- ❖ In the United States mortgage fraud is the number one financial crime to the tune of 4.2 billion dollars in 2006.
- ❖ Homeowners lively-hoods are impacted by schemes that tie their homes to false identities. Threatens personal income when there identities and financial information are used to acquire loans and credit.
- ❖ Raises interest rates as lenders lose money on foreclosures and repetitive schemes. Both mortgage lending and housing markets have significant impacts on the overall economy.
- ❖ Devaluates neighborhood property values (usually schemers target neighborhoods). Due to underreporting may cause a shift in local markets.
- ❖ Pervasiveness of fraud in lending can impact the types of mortgages available in the local market.



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Documents That Are Used In Fraud

- ❖ Loan application with misrepresentations
- ❖ Fraudulent deed or power of attorney
- ❖ Fraudulent terms/or settlement statement
- ❖ Fraudulent signature or notarization
- ❖ Fraudulent appraisal
- ❖ Fraudulent lien

Every land or mortgage fraud begins with one or more documents that are recorded.



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What Can You Do?

- ❖ Select Real Estate agents, mortgage professionals with referrals and check their licenses.
- ❖ Do not give your personal and financial information to any sales person by mail, email, phone or in person.
- ❖ If a buyer, investor or developer approaches you promising high profits on the sell or purchase of a property be extremely cautious. seek the opinion of a separate qualified individual of your own choosing.
- ❖ Examine and read all written documents and do some investigating of the market on your own.

Continued...



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What Can You Do? continued

- ❖ Check the history of the property with the Recorder's office to see if the property has been resold over and over in a short amount of time.
- ❖ Refuse to sign any documents that are left with blanks and do not sign anything that requires a notary without the notary present.
- ❖ Visit the property before you buy.
- ❖ Get all discussion and promises in writing.
- ❖ Periodically check your credit report.
- ❖ Assist elderly, handicapped and those with limited resources to check their credit and make sure their property documents are in order.
- ❖ If you have a complaint please contact the Attorney General's Consumer Complaint Division .



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What The Marion County Recorder Is Doing?

- ❖ Training Staff to be aware of potential mortgage fraud, by requesting and recording picture identification on suspect request and submissions.
- ❖ Installing video surveillance in an effort to curb attempts at fraud and to assist law enforcement in prosecution.
- ❖ Working with focus groups on legislation to shore up property transfer and purchasing laws.
- ❖ Inform the community.
- ❖ Notify land owners upon submission of documents related to their property.



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Citations

FBI – www.fbi.gov, Historical Documents, Land Fraud

PRIA – Property Recording Industry Association, "The Great Land Fraud Tour", Carl Ernst, CEO Ernst Publishing

Idaho Department of Finance- "Financial Fraud In Mortgage Loan Origination" Anthony Polidori, Supervising Examiner/Investigator