

MORTGAGE FRAUD FACT SHEET

For Victim Service Providers and Attorneys



NATIONAL
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Office for Victims of Crime
OVC

Introduction

Mortgage fraud is a crime that hurts homeowners, families, communities, businesses, and the economy. According to the FBI's *2010 Mortgage Fraud Report Year in Review* (August 2011), mortgage fraud schemes continue to escalate. Although new laws and protections have been enacted to address these scams, mortgage fraud schemes have been particularly resilient and have adapted to economic changes and modifications in lending practices. While total losses directly attributable to mortgage fraud are unknown, there is no doubt actual damages are significant. CoreLogic estimates reported by the FBI indicate annual losses of more than \$10 billion. In 2011 alone the FBI received 93,508 suspicious activity reports relating to mortgage fraud, totaling more than \$3 billion in losses (www.fbi.gov).

Those assisting homeowners can play a critical role in combating mortgage fraud and minimizing the damaging effects. Attorneys and victim service providers should understand what mortgage fraud entails and be able to determine

whether a homeowner has been a victim of mortgage fraud. They should also be educated on how to engage with victims and strategies victims can employ to protect themselves and others from further harm. Additionally, attorneys and victim service providers should familiarize themselves with the various resources available to assist victims and be able to direct victims to the most helpful tools.

What Is Mortgage Fraud?

The FBI describes “mortgage fraud” as the employment of “some type of material misstatement, misrepresentation, or omission relating to a real estate transaction, which is relied on by one or more parties to the transaction.” Mortgage fraud schemes are varied, but include

- Foreclosure rescue schemes
- Loan modification schemes
- Illegal property flipping
- Builder bailout/condo conversion
- Equity skimming
- Silent second
- Home equity conversion mortgage

- Commercial real estate loans
- Air loans

The perpetrators of mortgage fraud schemes include licensed/registered and non-licensed/registered mortgage brokers, lenders, appraisers, underwriters, accountants, real estate agents, settlement attorneys, land developers, investors, builders, bank account representatives, and trust account representatives. They recruit people who can facilitate the fraudulent activity. In some instances, mortgage fraud perpetrators have recruited ethnic community members as co-conspirators and victims to participate in mortgage loan origination fraud.

Mortgage fraud schemes have adapted to economic changes and modifications in lending practices. An individual may be a victim of mortgage fraud if

- The company/person made promises that are too good to be true (e.g., the homeowner is guaranteed a loan modification or no foreclosure).
- The company/person required payment of fees in advance to receive services.
- The company offered a money-back guarantee or advised the homeowner to stop making mortgage payments, not to contact the mortgage servicer, or to start making payments to someone other than the servicer or lender.

- The home buying process seemed slower than normal.
- The homeowner experienced bad customer service.
- The homeowner felt a lack of information during the process.
- The company/person claims to offer “government-approved” or “official government” loan modifications.
- The company/person pressured the homeowner to sign over the deed to his or her home or papers that the homeowner did not have a chance to read and that he or she did not fully understand.
- A company/person the homeowner did not know and trust asked him or her to release personal financial information online or over the phone.

Engaging With Victims

As mortgage fraud continues to escalate, attorneys and victim service providers will encounter more victims. Those engaging with victims need to identify what, if any, fraud took place and the extent of harm. The intake process is critical to developing an understanding of the victim’s experience and needs (refer to the National Crime Prevention Council sample intake form as a guide when assisting victims). Interview the victim to extract the objective facts and as many relevant details as possible, but understand that the victim will share his or her

subjective impressions. Although gathering the facts and details are important, certain actions can lessen or heighten the emotional distress fraud victims often suffer.

Actions that attorneys and victim service providers can take include

- Express sympathy for the crime that happened, convey a desire to help, and ask how you can help.
- Create a written account. Ask for facts of what happened, listen for objective information, inquire about relevant details, and craft a factual summary that the victim reviews, understands, and approves. Clearly identify statements regarding the victim’s subjective perceptions.
- Inquire about concerns that the victim may have about engaging with his or her mortgage servicer, lender, or housing counselors, or reporting any mortgage fraud to the proper authorities.
- Include in the intake statement a determination as to whether the homeowner was a victim of mortgage fraud, and to the extent possible, identify the fraud type, perpetrators, and damages.
- Pay attention to signs of emotional trauma, including statements or physical behavior that reflect hopelessness or depression, and where appropriate, provide referrals to human service agencies or support groups that address the needs of fraud victims.

- Advise the victim on actions to take and specify advice given in a written account. Encourage the victim to apply the strategies below to protect themselves from further harm. Consider developing an action plan to which the victim can commit to pursuing and provide relevant materials.

Protection Strategies

Despite efforts to avoid scams, many homeowners fall victim to mortgage fraud. The sad reality is that there is generally little recourse to recover money already paid. However, those who fall victim to mortgage fraud can take action to protect themselves from further problems. Those assisting homeowners should make the following inquiries and advise victims to take corresponding action.

STEP 1 – Have you contacted your mortgage servicer or lender?

Homeowners who have or may have experienced mortgage fraud should consult with their mortgage servicer or lender immediately. Only the mortgage servicer has discretion to grant a loan modification. No third party can guarantee or approve changes to a loan. The homeowner is ultimately responsible for the mortgage loan and must work with the servicer or lender to manage the impact of any fraud. It is therefore imperative to contact the mortgage servicer or lender and speak with someone in the Loss Mitigation

Department to discuss mortgage modification options and other alternatives to foreclosure. If the homeowner has spoken with the mortgage servicer or lender about the fraud, determine what options or alternatives were presented by the servicer or lender.

When evaluating mortgage modification options and alternatives to foreclosure, homeowners should keep in mind the following actions, particularly when working with a third party:

- Explore eligibility to apply for a government-sponsored loan modification or refinancing.
- Verify that any third party is a legitimate organization, and avoid paying fees before receiving any services.
- Make all mortgage payments directly to the lender or the mortgage servicer. Do not stop making payments or trust someone else to make the mortgage payments for you.
- Read and understand documents that must be signed. Ask questions and do not rely on an oral explanation of a document. Never sign a document containing errors, false statements, or blank spaces that can be filled in later. If you do not understand a document, seek advice from a trusted and legitimate financial counselor or attorney.
- Never sign over the property deed without consulting a trusted lawyer that you selected.
- Get promises in writing.

STEP 2 – Have you spoken with a HUD-approved housing counselor?

Homeowners can obtain counseling services and advice from a counseling agency that has been certified by the U.S. Department of Housing and Urban Development (HUD). These services are provided at a nominal cost. Additional assistance is available through federally funded groups, such as NeighborWorks America, for homeownership education and counseling. Homeowners should always confirm that the agency with which they are working is approved by the U.S. government. They can do so by contacting the U.S. Department of Housing and Urban Development (HUD) at 800-569-4287 or 877-483-1515, or by going to www.hud.gov/offices/hsg/sfh/hcc/hccprof14.cfm.

STEP 3 – Have you reported the mortgage fraud or suspicious activity to the appropriate authorities?

Victims of mortgage fraud should complain to federal authorities like the Federal Trade Commission or the Consumer Financial Protection Bureau, the state attorney general, and the local Better Business Bureau. Such complaints assist authorities in conducting investigations and prosecuting perpetrators.

Tools and Resources for Victims

To Report Scams and Make Complaints

- **Consumer Financial Protection Bureau**
 WEBSITE: www.consumerfinance.gov; Online Complaint Form
 PHONE: 855-411-CFPB (2372)
- **Federal Bureau of Investigation**
 PHONE: 800-CALLFBI (225-5324)
 ONLINE TIPS: FBI Tips and Public Leads Form
 To file a complaint with the FBI, contact the nearest FBI field office. Locations are listed at www.fbi.gov/contactus.htm or <https://tips.fbi.gov/> or for major cases you can also report information by calling toll-free number 800-CALLFBI (225-5324).
- **Housing and Urban Development (HUD) Office of the Inspector General Hotline**
 PHONE: 800-347-3735
 FAX: 202-708-4829
 EMAIL: hotline@hudoig.gov
 ADDRESS: HUD OIG Hotline (GFI), 451 7th Street, SW, Washington, DC 20410
- **Loan Modification Scam Prevention Network**
 WEBSITE: www.PreventLoanScams.org; <http://complaint.preventloanscams.org> (complaint form)
 PHONE: 888-995-HOPE
- **Federal Trade Commission (FTC): Complaint Assistant**
 WEBSITE: www.ftccomplaintassistant.gov
 WEBSITE (*Spanish*): www.ftccomplaintassistant.gov/Consumer_HomeES.htm
 PHONE (*for complaints against companies, organizations, or business practices*): 877-FTC-HELP (382-4357)
 PHONE (*for complaints about identity theft*): 877-ID-THEFT (438-4338)
 EMAIL (*for complaints about spam or phishing*): spam@uce.gov

To Obtain General Information or Counseling

- **Consumer Financial Protection Bureau**
 WEBSITE: www.consumerfinance.gov
 PHONE: 855-411-CFPB (2372)
- **Financial Fraud Enforcement Task Force**
 WEBSITE: www.stopfraud.gov/protect-mortgage.html
 PHONE: 202-514-2000
 EMAIL: ffetf@usdoj.gov
- **Federal Bureau of Investigation**
 WEBSITE: www.fbi.gov/about-us/investigate/white-collar/mortgage-fraud/mortgage_fraud
 PHONE: 800-CALLFBI (225-5324)
- **Federal Trade Commission**
 WEBSITE: www.ftc.gov/bcp/edu/microsites/moneymatters/your-home.shtml
- **HOPE NOW Alliance Counseling Organizations**
 WEBSITE: www.hopenow.com
 PHONE: 888-995-HOPE (4673)
- **Making Home Affordable from the Departments of Treasury and Housing and Urban Development**
 WEBSITE: www.MakingHomeAffordable.gov
 PHONE: 888-995-HOPE (4673) or for hearing impaired 877-304-9709
- **Loan Modification Scam Prevention Network**
 WEBSITE: www.PreventLoanScams.org
 PHONE: 866-459-2162

Other Resources

■ **Home Loan Learning Center by the Mortgage Bankers Association**

WEBSITE: www.homeloanlearningcenter.com

PHONE: 800-793-6222

■ **Home Ownership Preservation Foundation**

WEBSITE: www.995Hope.org

PHONE: 888-995-HOPE (4673)

■ **Loan Modification Scam Alert**

WEBSITE: www.loanscamalert.org

PHONE: 888-995-HOPE (4673)

■ **NeighborWorks America**

WEBSITE: www.nw.org

PHONE: 202-220-2300



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