



Ground Rules for Call/Webinar • If you have a clarifying question during the presentation, please ask it electronically by typing your question and clicking "send" using the box on the right side of your screen. • I will relay your question verbally to the presenter. • There will be an audio question/answer session at the end of the presentation.

Introduction of Today's Speaker Chuck Sczuroski, Senior Trainer National Crime Prevention Council	Goal • To provide an overview of mortgage fraud and discuss ways to assist victims with recovery. Also highlight resources that NCPC has available for the field.	Objectives Talk about the current state of the mortgage fraud industry Highlight research conducted by NCPC Common mortgage fraud scams and practices How to assist victims NCPC resources for the field
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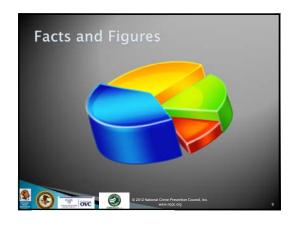
NCPC's Mission

To be the nation's leader in helping people keep themselves, their families, and their communities safe from crime.





National Crime Prevention Council Leading nonprofit crime prevention organization McGruff the Crime Dog® - 30 years old Crime Prevention Coalition of America and National Crime Prevention Association National Crime Prevention Specialist Certification Latest campaigns/initiatives · Intellectual Property Theft Circle of Respect - <u>www.circleofrespect.org</u> Celebrate Safe Communities - <u>www.celebratesafecommunities.org</u> Preventing Senior Fraud Bullying/Cyberbullying



Mortgage Fraud Fact

- The Mortgage Asset Research Institute calls mortgage fraud "one of the fastest growing financial crimes in the history of the United States."

 Source: Understanding Mortgage Fraud," Mortgage Asset Research Institute, available at www.mar
- Prosecutors consider mortgage fraud to be "among the most economically destructive crimes prosecuted by their offices."

Source: www.CourtInnovation.org
isolutions.com/mortgage-fraud.asp





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Mortgage Fraud Fact - continued

- Mortgage fraud continued at elevated levels in 2010
- Mortgage fraud has expanded to include other areas such as construction, finance, appraisal, brokerage, sales, and law
 (FBI's 2010 Mortgage Fraud Report Year in Review, www.fbi.gov)
- Estimated that 10 billion-plus is loss annually (Source: Corelogic)



Worst States for Mortgage Fraud Activity according to *Mortgage Daily,* June 26, 2012

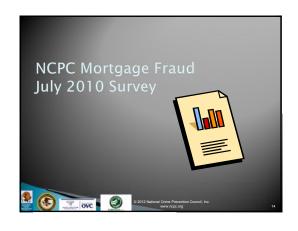
- ▶ Florida
- ▶ California
- Minnesota
- Ohio
- North Carolina

Source: www.mortgagenewsdaily.com





Worst States for Mortgage Fraud Suspicious Activity Reports according to FinCEN, June 26, 2012 California Nevada Florida Source: Financial Crimes Enforcement Network, www.fincen.gov



NCPC Mortgage Fraud Survey Only 51% of respondents said they worked with a licensed real estate professional or lawyer. While only 38% made any attempt (even asked) to validate a license when purchasing a home. Percent of those who researched thoroughly: Mortgage company/lender 24% Realtor 13% Realtor 13% Attorney/Lawyer 5% Appraiser 4% Home Inspector 4% Title Company 3%

NCPC Mortgage Fraud Survey (continued)

- One in five consumers (20%) felt they were being scammed during the home buying process.
- >About half of those "scammed" claim they were aware of scams and schemes prior to starting the process.







NCPC Mortgage Fraud Survey (continued)

- Only 61% say they always read contracts carefully, including the fine print, before signing
- >46% say they are cautious and suspicious
- >27% are both trusting and cautious
- >24% say they are trusting and friendly when it comes to the way they deal with people they don't know





NCPC Mortgage Fraud Survey (continued)

- > 24% agree that they quickly read through contracts so they can sign on the bottom line and be done with the process
- > 20% agree that they will occasionally over look warning signs or concerns about sales facts if they think it will benefit them in the end
- >11% agree that they fall for sales messages that sound too good to be true



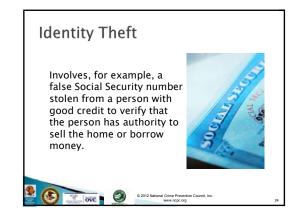




NCPC Mortgage Fraud Survey NCPC Mortgage Fraud Survey (continued) (continued) • 9% were asked to pay a fee in advance to work with their lender to modify/ refinance/reinstate What is happening in the marketplace? their mortgage • 7% were required to allow their lender to have ≥19% said promises were not in written form direct access to their bank account or credit card >16% said promises were made verbally for payment purposes >12% were offered "government approved" 7% were guaranteed by someone that they could or "official government" loan modification stop a foreclosure or modify a loan • 10% claim that undue pressures/tactics were >11% were asked to wire money or write a used to make them "act immediately" on an offer check before contracts were signed

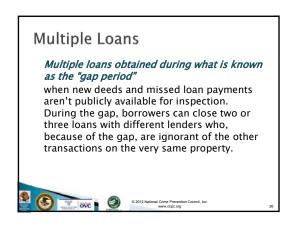
Common Ingredients Inflated income or assets Identity theft Altered documents Multiple loans Inflated deposits and soft second mortgages Inflated appraisal Flipping





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Altered Documents Documents including W-2 forms, bank statements, title commitments, leases, tax returns, or employment verification forms.



Inflated Deposits / Second Loans Involves a buyer who gives a false purchase agreement to the lender, showing a false money deposit and an inflated purchase A buyer and seller who inflate the purchase price and offer seller financing in lieu of a down payment so that the buyer can obtain a larger loan than would be permitted by the lender's underwriting standards.

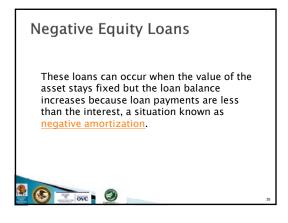
An appraiser inflates the value of a property to generate a loan that exceeds the home's true market value. Inflated appraisals frequently play a role in flipping schemes.





Predatory Lending (continued) **Predatory Lending** Predatory Lending (continued) Lenders may be accused of tricking a borrower into believing that an interest rate is Predatory lending describes unfair, deceptive, Predatory lending should lower than it actually is, or that the or fraudulent practices of some lenders borrower's ability to pay is greater than it not to be confused with during the loan origination process. actually is. predatory mortgage The FDIC broadly defines predatory lending The lender, or others as agents of the lender, serving. as "imposing unfair and abusive loan terms may well profit from repossession or on borrowers." foreclosure upon the collateral.







Balloon Payments

- A short-term mortgage with small monthly installments and a large lump sum due at the end of the loan term.
- An example would be a 30 year loan due in 15 years
- It amortizes like a 30 year fixed, but is due 15 years earlier





Stated Income Loan

- A stated income loan application is done by the borrower
- No proof of income is needed
- When the broker files the loan, they have to go by whatever income is stated
- This opened the doors for borrowers to be approved for loans that they otherwise would not qualify for, or afford

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Stated Income Loan (continued)

Several commentators have challenged the notion of "predatory borrowing," accusing those making this argument as being apologists for the lack of lending standards and other excesses during the credit bubble.





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Mortgage Fraud

- The Federal <u>Truth in Lending Act</u> requires certain disclosures of <u>APR</u> and <u>loan</u> terms.
- Also, in 1994 section 32 of the Truth in Lending Act, entitled the Home Ownership and Equity Protection Act of 1994, was created.
- This law is devoted to identifying certain high-cost, potentially predatory mortgage loans and reining in their terms.



Fueling Mortgage Fraud

Some of the most used factors fueling mortgage fraud are:

- The diversion of law enforcement resources from white collar crime to the fight against terrorism
- The loosening of lending standards

Source: Understanding Mortgage Fraud," Mortgage Asset Research Institute, www.marisolutions.com/mortgage-fraud.asp





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Fueling Mortgage Fraud (continued) Help is on the Way (continued) Help is on the Way (continued) Some of the most used factors fueling The Fraud Enforcement and Recovery Act, passed by Congress and signed by President Barack To assist victims to begin the steps to recovery mortgage fraud are: Obama in May 2009, allocates \$490 million over • The increased use of the Internet and other two years to increase the number of Justice • REPORT IT: www.stopfraud.gov technologies that make the loan application process Department prosecutors and investigators handling "faceless" mortgage fraud cases. www.preventloanscams.org 1-800-CALLFBI • The issuance of sub-prime mortgages, essentially It enlarged the department's criminal, civil and tax loans to riskier borrowers divisions; and enlarges the FBI mortgage-fraud task forces.

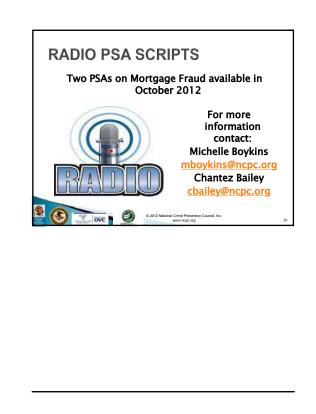
Help is on the Way (continued) Help is on the Way (continued) NCPC Mortgage Fraud Work To assist victims to begin the steps to recovery To assist victims to begin the steps to recovery Radio Public Service Announcements HUD Approved Housing Counseling Agencies ▶ HOPE Now Alliance Audio Podcasts Call: 1-888-995-HOPE for free counseling services Webinars Website: www.preventloanscams.org > 1-day Virtual Conference 1-800-347-3735 HUD Office of Inspector General Email hotline@hudoig.gov Online Video (News Segment) Mortgage Fraud Toolkit for Victim Service NeighborWorks America Advocates http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm Website: www.nw.org

MORTGAGE FRAUD TOOLKIT WHO IS THE AUDIENCE? Victim Service Providers Attorneys Law Enforcement Agencies



Victim Service Advocates

MORTGAGE FRAUD TOOLKIT WHAT WILL THE KIT INCLUDE? • Useful tips, fliers, and information to share with mortgage fraud victims • List of credible organizations to refer mortgage fraud victims • Step-by-step guide to assist mortgage fraud victims through recovery process • Podcast interviews and webinars from experts in the field • PPT presentation for VSP and other allied professionals to use during meetings, trainings, and/or conferences relating to mortgage fraud



Podcast Interviews Available at www.ncpc.org

- Mortgage Fraud Scams
 Charles Sczuroski, NCPC senior trainer
- Financial Crimes Enforcement Network

 James Fries, past director
- Foreclosure Scams
 Charles Sczuroski, NCPC senior trainer





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NCPC/OVC Webinar Series

- Monthly
- → 3rd Thursday
- > 2:00 3:00 ET
- 10/18 Financial Fraud Enforcement Task Force
- ▶ 11/15 Lawyers Committee for Civil Rights under Law
- ▶ 12/13 National Fair Housing Alliance
- ▶ 1/16 Virtual Mortgage Fraud Conference





NCPC Training

- Three day Crime Prevention Through Environmental Design (CPTED) Abandoned Properties and Foreclosed Homes training
- (CPTED) is based on the principle that proper design and effective use of buildings and public spaces in neighborhoods can lead to a reduction in the fear and incidence of crime, and an improvement in the quality of life for citizens. Learn how to assess conditions in your neighborhood and apply practical access control (doors, fences), surveillance (lighting, windows, landscaping), territorial reinforcement (signs, sidewalks, ordinances), and maintenance (code enforcement, community clean ups) to improve your community, your neighborhood, and/or your home.





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NCPC Training continued CPTED Abandoned Properties and Foreclosed Homes training objectives Understand how to evaluate neighborhood activities and how they may contribute to or inhibit crime Define CPTED, recognize the fundamental principles of CPTED, and articulate strategies that support each principle Assess the physical environment of sites or neighborhoods using a formal CPTED survey Identify several common indicators of possible mortgage fraud Discuss additional causes of the housing crises

