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MORTGAGE FRAUD

There are several types of mortgage fraud.

The first type and probably the worst type involves Identity Theft. For example, a couple left for Europe for the Summer. The bad guys moved in and put their property up for sale, sold the home, got the money and disappeared.

When they returned they found new people living in their home and they were locked out of their house. The couple had to prove they were victim of ID Theft, then they had go to court to reverse the release deed, mortgage by the new "owners" and to the bank.

The second is CyberCrime. This can take many forms. The bad guys troll census records, public records news media and social media. They also search ancestry.com. The then locate, through the court house public records, people who may have owned their property for several years and may have mortgage(s). That tells them with what financial institutions the potential victims may do business. ancestry.com gives them the names of relatives that may be used as passwords, and as answers to security questions. Once they have the loan information, they will contact the bank, usually electronically (though they some times will contact them by phone) and try to get an advance on the HELOC. The money is usually transferred to a foreign county.

A third type is the Delinquent Loan Scam. Here the bad guy convinces the past due home owner that they can pay off the mortgage by have the owner quitclaim the deed over them. The purchasers may or may not be partners in the scam. They could also be victims, believing they are getting the income from the property. These types of scams can be very complicated and involve many people and many transfers of ownership.

The fourth types are the Fraudulent Loan Applications. These also take many forms and were common leading up to the mortgage problems of 2008.

These included fraudulent income and debt data in the loan applications or inflated or false appraisals on property that may or may not even existed. In some cases, the purchasers were unaware of the false information. They trusted the loan processor to get them the best deal. In other cases the purchasers were part of the scam to defraud the lending companies. The participants in the scam could one or all of the following: the purchaser, lenders, realtors, loan officers and title and settlement companies. Mortgage fraud perpetrators also 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.

FBI mortgage fraud pending investigations totaled 3,129 in FY 2010, a 12 percent increase from FY 2009 and a 90 percent increase from FY 2008. According to FBI data, 71 percent (2,222) of all pending FBI Mortgage investigations during FY 2010 (3,129) involved dollar losses totaling more than $1 million.

The top ten schemes per the FBI in 2010:
62% Loan Origination Schemes
14% Title/Escore/Settlement Fraud
7% Real Estate Investment
4% Short Sales
4% Commercial Real Estate Loan Fraud
2% Foreclosure Rescue
2% Advance Fee
2% Builder Bailout
2% Equity Skimming
1% Bankruptcy Fraud

Other types:
Illegal Property Flipping
Illegal property flipping is a complex fraud that involves the purchase and subsequent resale of property at greatly inflated prices. The key to this scheme is the fraudulent appraisal, which occurs prior to selling the property. The artificially inflated property value enables the purchaser to obtain a greater loan than would otherwise be possible. Subsequently, a buyer purchases the property at the inflated rate. The difference between what the perpetrator paid for the property and the final purchase price of the home is the perpetrator's profit.

Debt Elimination/Reduction Schemes
FBI reporting indicates a continued effort by sovereign citizen domestic extremists throughout the United States to perpetrate and train others in the use of debt elimination schemes. Victims pay advance fees to perpetrators espousing themselves as "sovereign citizens" or "tax deniers" who promise to train them in methods to reduce or eliminate their debts. While they also target credit card debt, they are primarily targeting mortgages and commercial loans, unsecured debts, and automobile loans. They are involved in coaching people on how to file fraudulent liens, proof of claim, entitlement orders, and other documents to prevent foreclosure and forfeiture of property.

U.S. FORECLOSURE FILINGS DROP 18%

The number of U.S. properties with foreclosure filings declined 18% in January from a year earlier, with some notable drops in the Phoenix and Detroit metro areas, according to market researcher RealtyTrac. There were 124,419 U.S. properties with default notices, scheduled auctions and bank repossessions in January, an 8% increase from the prior month, RealtyTrac reported Thursday. About one in every 1,058 U.S. housing units had a foreclosure filing last month. "The monthly increase in January foreclosure activity was somewhat expected after a holiday lull," said Darren Blomquist, RealtyTrac vice president. RealtyTrac said while January marked the 40th straight month where U.S. foreclosure activity dropped from year-ago levels, the percentage decline was the smallest since September 2012. A total of 57,259 U.S. properties started the foreclosure process in January, up 10% from the prior month but falling 12% from a year ago. Foreclosure starts increased from a year ago in 22 states. Meanwhile, bank repossessions, or REO, in January were down 4% from the previous month and slid 40% from a year earlier. (2-13-14, creditandcollectionnews.com)

CONSUMER CREDIT JUMPS ON SHARP CREDIT CARD USAGE

U.S. consumer credit in December grew by the most in nearly a year due to a sharp increase in credit card usage, a potentially positive sign for the economy, according to the Federal Reserve's latest G.19 report.

Total consumer credit rose by $18.8 billion to $3.1 trillion. It was the biggest gain since February. Economists polled by Reuters had expected consumer credit to rise by $12 billion in December.

Revolving credit, which mostly measures credit-card use, rose by $5 billion in December after climbing $465 million in November. Revolving credit figures can be volatile.

Non-revolving credit, which includes auto loans as well as student loans made by the government, increased $13.8 billion in December. (2-8-14, collectionscreditrisk.com)

FINANCIAL INSTITUTIONS ARE USING SOCIAL MEDIA TO BUILD CREDIT PROFILES

The personal information that friends share on social media websites is being used by a growing number of financial institutions to build a credit profile for potential borrowers, in addition to the official credit report. How that information can -- or should -- be used by lenders is still up for debate. "Our view is there is a constant push by lenders to manage risk for their loans. They want more data to qualify the creditworthiness of the loan applicant," said Thomas Pryor, a spokesman for PersonalLoanOffers.com, a personal loan matching network based in Ft. Lauderdale, Fla. "Our company policy is against it." He said lenders are logging into Facebook, Twitter, Match.com and other social media websites to look for items that provide insight into a loan applicant's lifestyle and behavior. They also use such websites to verify any public information about an applicant. Lending Club, a peer-to-peer lending network based in Redwood, Calif., routinely uses social media to gather information about loan applicants but says the information would only be used to deny a loan if it raises questions about an applicant's identity.

ILLINOIS LEADS MULTISTATE PROBE OF SALLIE MAE'S STUDENT LOAN PRACTICES

SLM Corp., better known as Sallie Mae, faces a multistate probe led by Illinois into its student loan practices, a spokeswoman for Illinois Attorney General Lisa Madigan said on Thursday. The investigation is part of an increasingly broad review of student lending by state and federal regulators. In a filing with the U.S. Securities and Exchange Commission on Wednesday, Sallie Mae said it was facing "significant year-over-year increases" in the number of investigative demands and in the breadth of information being sought. The rise in requests has been largely driven by state attorneys general and by the federal Consumer Financial Protection Bureau, the company said. Madigan's spokeswoman, Natalie Bauer, said Illinois and other states have opened an "active investigation" into Sallie Mae's loan servicing and debt collection practices, among other issues. She would not identify the other states involved in the inquiry. "Inquiries from state attorney generals have occurred regularly in the ordinary course of our business, for informational as well as regulatory purposes," Patricia Christel a spokeswoman for the company said in an emailed statement. "Since the passage of Dodd Frank, the frequency of these inquiries has increased significantly, and we are responsive to all requests, sharing how our customer service practices help customers succeed," Christel added. (2-21-2-14, creditandcollectionnews.com)

FDIC LAWSUITS AGAINST DIRECTORS AND OFFICERS REACH RECORD HIGH

A new report shows that for the third consecutive year, the number of lawsuits filed by the Federal Deposit Insurance Corporation against directors and officers of failed financial institutions reached a new high. The report, published by Cornerstone Research, shows that the FDIC filed 40 lawsuits against directors and officers in 2013. In comparison, 26 such lawsuits were filed in all of 2012, and 16 in all of 2011. Only two were filed in 2010. The pace of new lawsuits, however, slowed dramatically in the fourth quarter of 2013 compared to preceding quarters. The FDIC filed 10 lawsuits in the first quarter; 15 in the second quarter; and 12 in the third quarter, but only three in the fourth quarter. "While FDIC filings of new D&O lawsuits hit a lull in the fourth quarter of 2013, new filings are unlikely to continue at such a slow pace in the first half of 2014," says Katie Galley, a senior vice president of Cornerstone Research and one of the report's authors. Galley adds that the year ahead will be particularly interesting to watch as existing lawsuits unfold. A recent ruling in the Eleventh Circuit, for example, "allows directors and officers to assert affirmative defenses that will directly affect loss causation and damages arguments," says Galley. "These types of judicial rulings may greatly influence the relative negotiating strength of the FDIC and defendants." (2-21-2014, creditandcollectionnews.com)

CREDIT INFORMATION SYSTEMS HOURS

Monday - Friday 8:00am to 5:00pm

Credit Information Systems offers: Consumer Credit Reports, *ServicePlus* Credit Reports Collections Reports, Employment Credit reports, Residential Mortgage Credit Reports, Merged Credit Reports, Fannie Mae & Freddie Mac access, Criminal background checks, Tenant Screening Reports, Flood Zone Determination, Flood Life of Loan Certification, AVMs, 4506-T, Income Tax Verifications, Real Estate Tax Payment Verifications and Identity Authentication.

Credit Information Systems has served businesses since 1915 and provides credit reports from all three national repositories.

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Don't interfere with anything in the Constitution. That must be maintained, for it is the only safeguard of your liberties. And not to Democrats alone do I make this appeal, but to all who love these great and try principles.
Abraham Lincoln, Aug. 27, 1856 Speech at Kalamazzo, Michigan