

# The Impact of Fraud on the Real Estate Industry

*(insert name) PREP Chapter*

*Presenter's name*

*Location of meeting*

*Date*



# Program

**Goal:** To explore the perception of real estate fraud at the local level and to collectively identify tools to assist with combatting it.

# National Survey Results

Surveyed: 8,827 Potential Participants  
Participation: 6.8% Response Rate\*

\*Recognized Effective Survey = 3% Response Rate

*(Survey conducted by Ernst Publishing between 10/2010 and 04/2012)*

# Fraud in real estate transactions

Do you believe fraud in real estate transactions has increased or decreased in the last year?

- Increased
- Decreased
- Stayed the same

# Survey Results

|                   |      |
|-------------------|------|
| • Increased       | 40%  |
| • Decreased       | 28%  |
| • Stayed the same | 27%  |
| • No response     | 5%   |
| • Total           | 100% |

# Estimated Fraudulent Loans

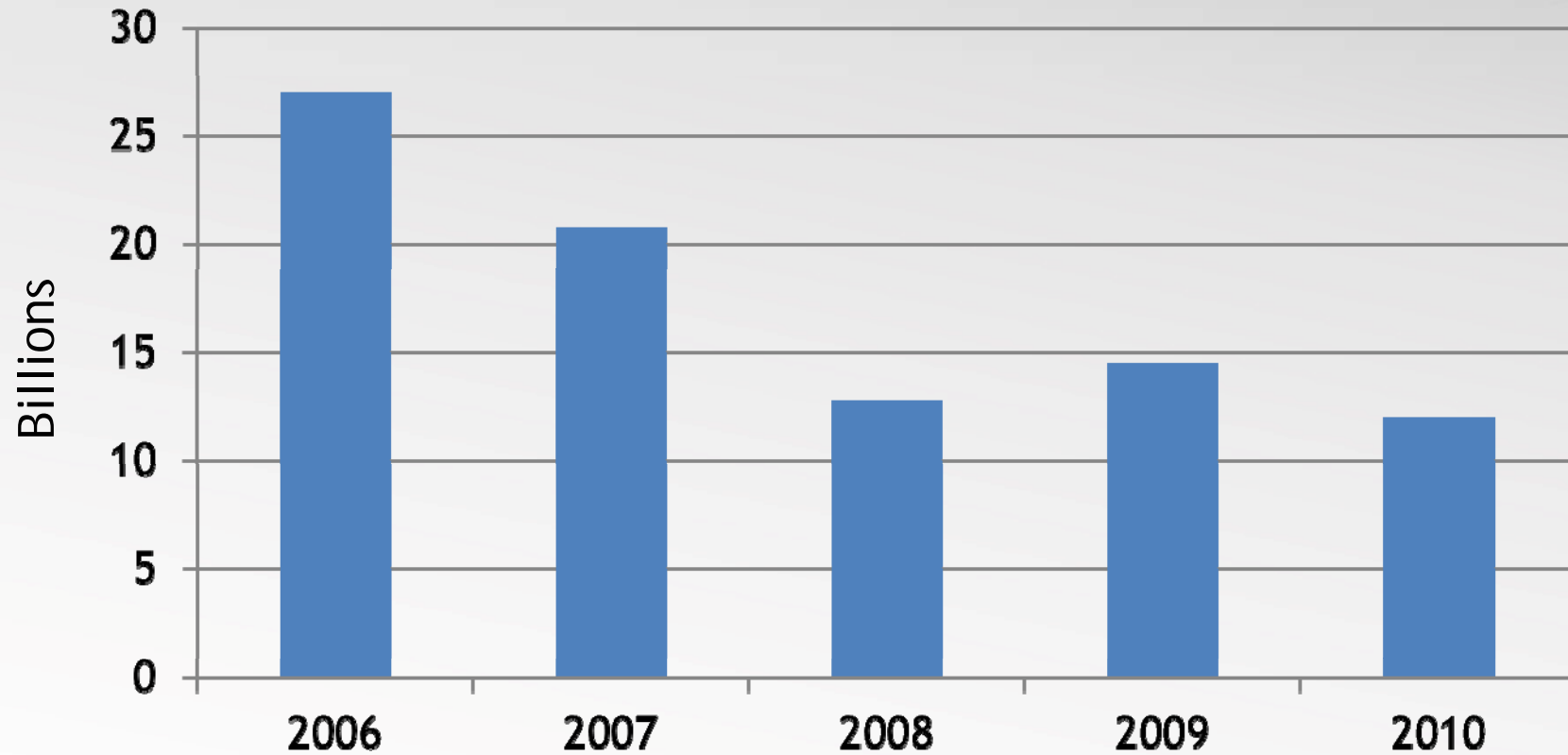


Figure 2: U.S. Mortgage Fraud Originations by Year, 2006 - 2010  
(CoreLogic 2011 Mortgage Fraud Trends Report, September 2011)

# Mortgage Fraud Related SARs

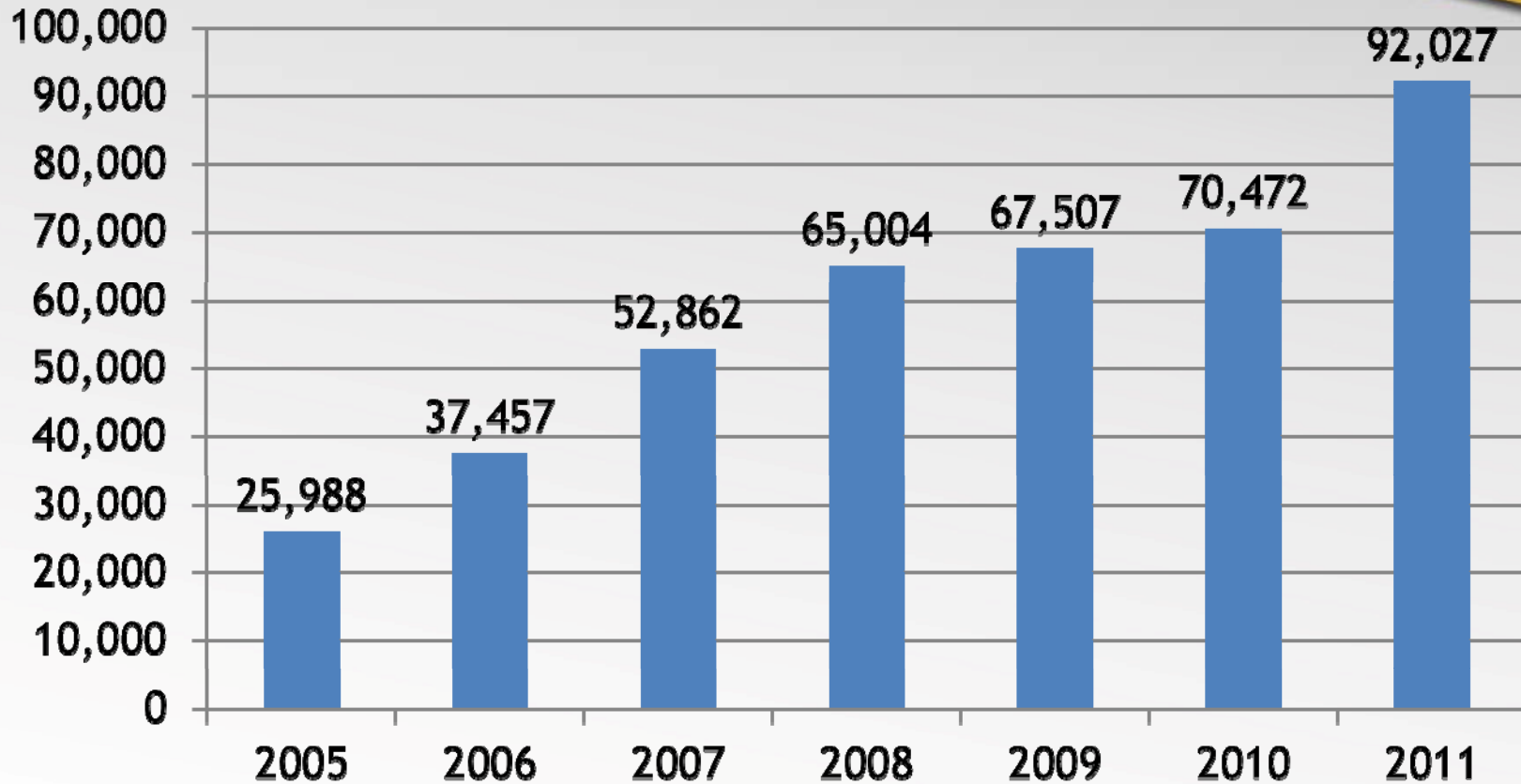
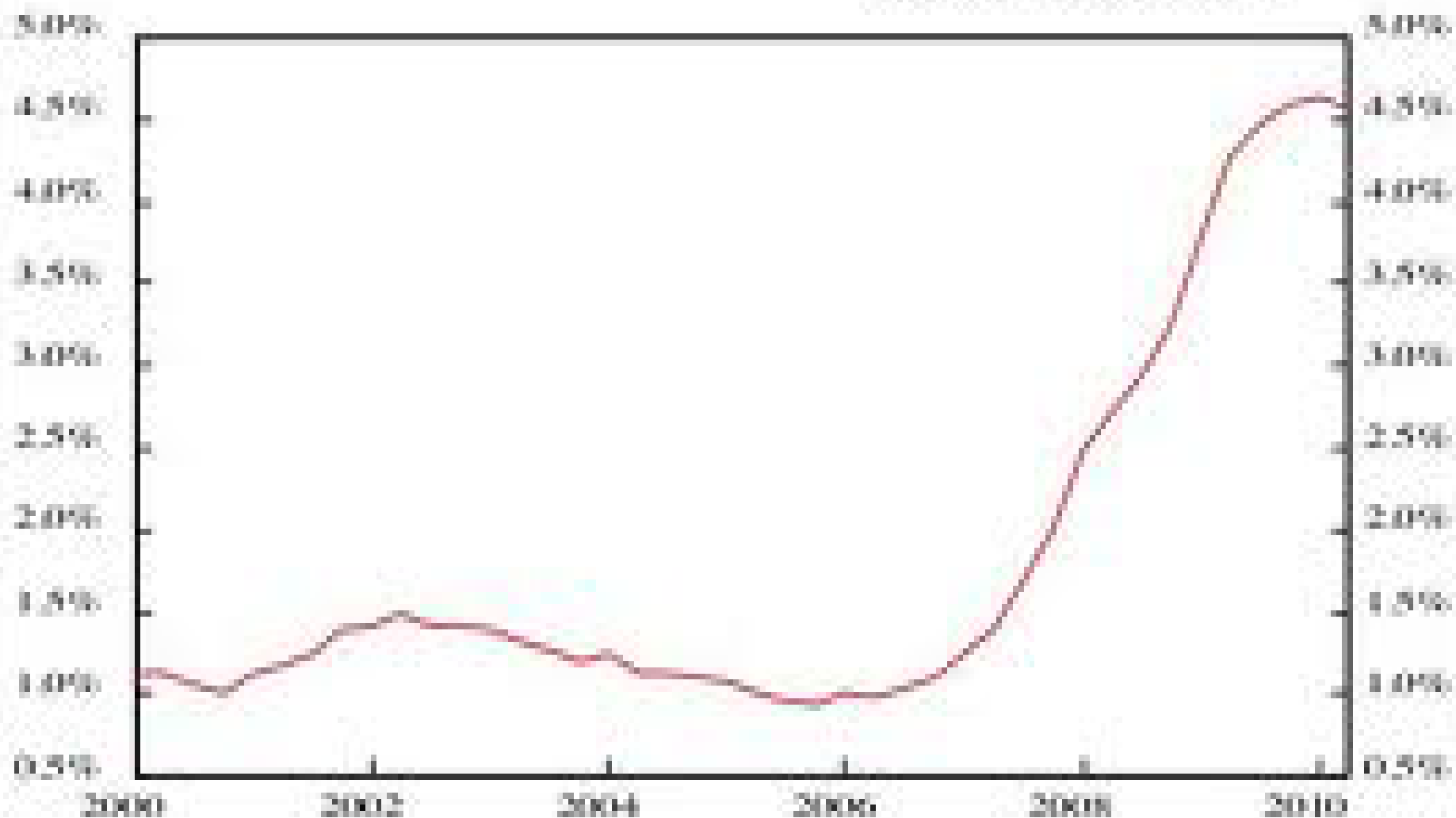


Figure 1: Annual Mortgage Loan Fraud SAR Filings, 2005 - 2011 (data excerpted from Financial Crimes Enforcement Network June 2012 Mortgage Loan Fraud Update)

# Residential Mortgages in Foreclosure

Last Point 2Q 2010: 4.57%



Source: Mortgage Bankers Association



Fraud is Alive  
and Well

# Types of Fraud

What types of fraud are a concern for you?

- “Robo-signing”
- Integrity of the permanent record
- Identity theft
- Fraud at the closing table
- Fraud within the loan transaction
- Foreclosure fraud
- Other

# Example of “Robo-signing”

The signatures are never verified



# Survey Results

- “Robo-signing” 53%
- Integrity of the permanent record 56%
- Identity theft 60%
- Fraud at the closing table 30%
- Fraud within the loan transaction 56%
- Foreclosure fraud 55%
- Other 13%
- Total 100%

# Comments on Types of Fraud

- Out of business settlement agents that did not forward payment to title insurance underwriters
- Income fraud, occupancy fraud, deposit fraud
- Borrowers purchasing for 2nd home and then using for rental



Psst, need some documents  
to steal someones home?

I got just what you need...

Recreate Entire Collateral File

Defective Mortgage

Note Affidavit

Note Allonge

# Level of Industry Fraud

What is your perception of the level of industry fraud?

- High
- Medium
- Low

# Survey Results



# Personal Experience

Have you personally experienced fraud?

- Yes
- No

# Survey Results

# If Yes, Was Fraud...

- Perpetrated by the borrower?
- Perpetrated by the loan officer?
- Perpetrated by the title agent?
- Perpetrated by the recorder's office?
- All of the above
- Other

# Survey Results



Note: People voted for more than one category, thus the total exceeds 100%.

# CFPB & RESPA Impact

Have Consumer Financial Protection Bureau (CFPB)/RESPA changes to HUD and GFE helped mitigate fraud?

- Yes
- No
- Unsure
- Have no knowledge of these regulations

# Survey Results

# Your suggestions

What suggestions do you have for the CFPB to further assist in combatting fraud in real estate transactions?

# Sample Responses for CFPB

- Require industry licensing safeguards for title, loan officers, escrow agents, etc.
- Prosecute!
- Make people accountable; if a notary notarizes a “robot-signature,” the notary should be sanctioned
- Have better tracking and controls on companies that sell loans to other lenders
- Accountability on brokers and appraisers. Seems appraisal industry can get away with anything
- Better education for those preparing document
- Oversight and penalties



# National Recording System

Do you believe a national recording system (where all the document indexes and images are in a shared central site) would have any impact on fraudulent recording?

- Yes
- No

# Survey Results

# National Recording System Impact

Would a national recording system...

- Help eliminate fraud?
  - Explain why or why not
- Increase potential fraud?
  - Explain why or why not

# National Recording System Comments

- A large-scale, national system would be slower, and there would be more opportunity to try multiple loan scams. Things vary enough between counties or local recorder offices that large scale scams are not as feasible.
- I feel as though anybody could get a hold of the recorded mortgage and commit fraud.
- If this national recording system would allow a lender in one state to check the land records in another state remotely, then it could be a good thing.

DID YOU FIND OUR MORTGAGE DOCUMENTS?

NO. BUT I THINK I FOUND JIMMY HOFFA.

FORECLOSURE MESS



# Technology To Combat Fraud

Do you use any technology solutions today to help combat fraud in land records?

- Yes
- No

# Survey Results

- Yes 44%
- No 49%
- No Responses 7%
- Total 100%

# What Does Your Technology Do?

Does your technology:

- Validate the authenticity of the borrower?
- Validate the standing and license of the title agent?
- Validate the standing and license of the loan officer or mortgage broker?
- Identify fraud within the land record system?
- All of the above?
- Other



# Survey Results

- Authenticity of the borrower? 25%
- Standing and license of the title agent? 12%
- Standing and license of the loan officer/broker? 12%
- Identify fraud in the land record system? 20%
- All of the above? 22%
- Other 12%
- No response 28%
- Total 100%

Note: People voted for more than one category, thus the total exceeds 100%.

# Additional Technology Solutions

- Alert property owners to recently recorded documents containing their names
- Compare recent applications for loans
- Identify possible similar/forged signatures

# How Else To Combat Fraud?

What additional steps should be taken to combat fraud? (select all that apply)

- Improve technology solutions
- Further certifications for title agents
- Further certifications for loan officers
- Increased notary responsibility
- Increased recorder responsibility
- National recording system
- All of the above
- Other

# Survey Results

- Improve technology solutions 55%
- Further certifications for title agents 41%
- Further certifications for loan officers 40%
- Increased notary responsibility 48%
- Increased recorder responsibility 28%
- National recording system 17%
- All of the above 43%
- Other 13%
- Total 100%

Note: People voted for more than one category, thus the total exceeds 100%.

# More Fraud Combat Thoughts

- Reverse mortgage loan officers should have special training and certification to originate reverse mortgage loans
- Definitely NOT a national recording system
- Enforcement of the rules and punishment of those committing the fraud
- Recording offices will record any document that comes through; they need to verify that the information is correct before recording



PABLO, AS SOON AS YOU'RE DONE WITH THE TOPIARY, BE A GOOD FELLOW AND RUN DOWN TO THE OFFICE AND SIGN A THOUSAND OR TWO FORECLOSURE NOTICES."

**Let's Talk**

**Discussion!**

# Next Steps...

- Join PRIA
- Volunteer for PRIA committees
- Use Land Fraud Resource Center (PRIA)
- Contact elected officials
- Who can you educate about Land Fraud?
- More...



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Be part of the conversation and thus the solution

If you want a say, you have to play