

Property Records Industry Association



# The Impact of Fraud on the the Real Estate Industry

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Bart Shapiro, and Jeff Thigpen

Moderator: Jan Clark

March 2, 2012

WE NEED  
SOMETHING  
TRULY  
HARRIFYING  
DO YOU  
HAVE A  
MORTGAGE  
LENDER  
COSTUME?

STANLER  
THE MORTGAGE BROKER  
2007





# Land Fraud Committee History

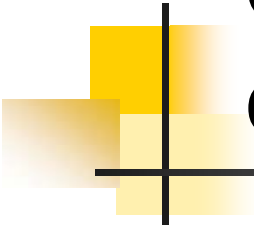
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2007 – Created 3 Fraud Sub-committees

- Foreclosure Fraud

- International Fraud

- Domestic Fraud - Partnership with FBI  
Mortgage Task Fraud Group



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

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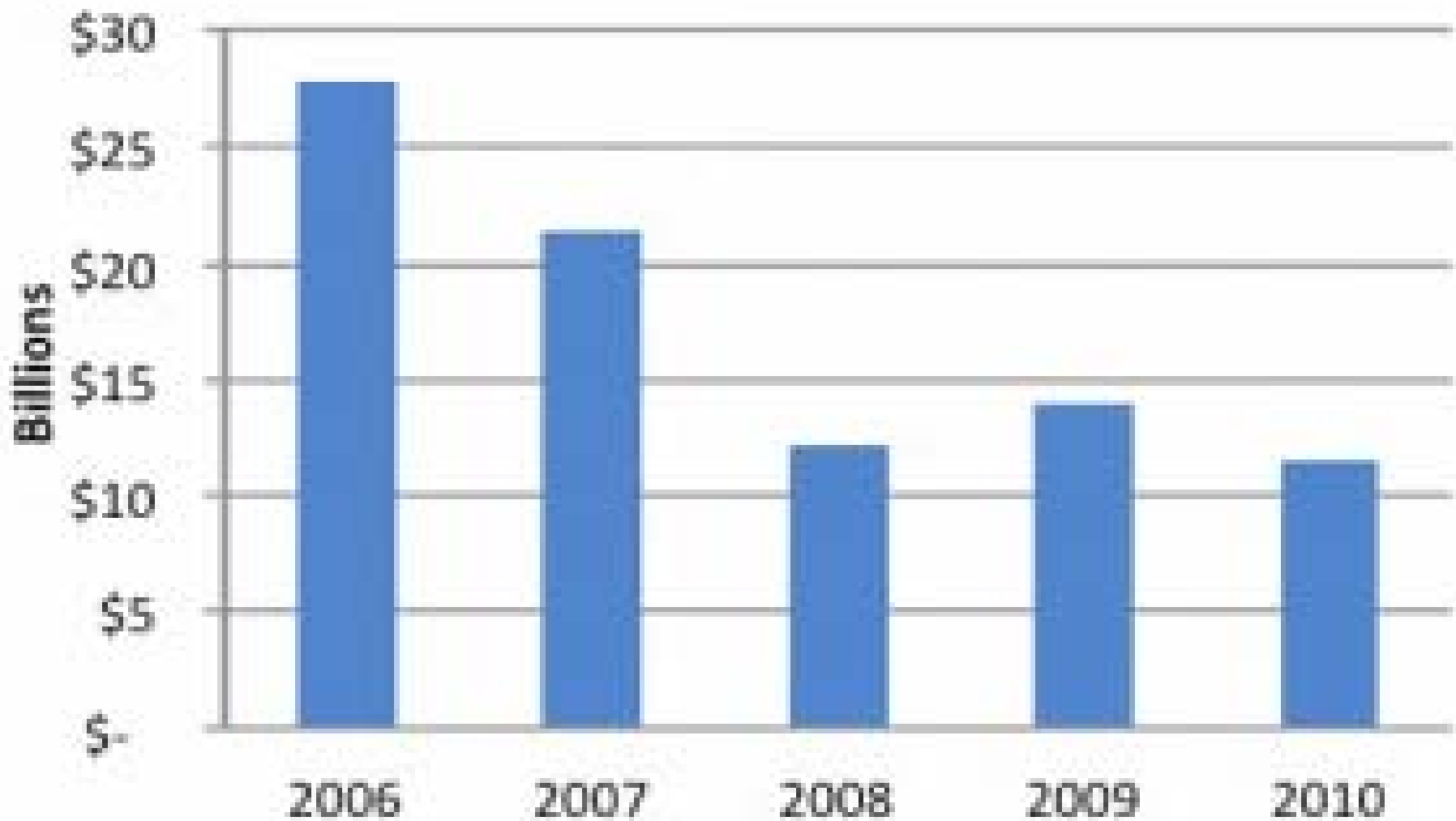
- Increased
- Decreased
- Stayed the Same



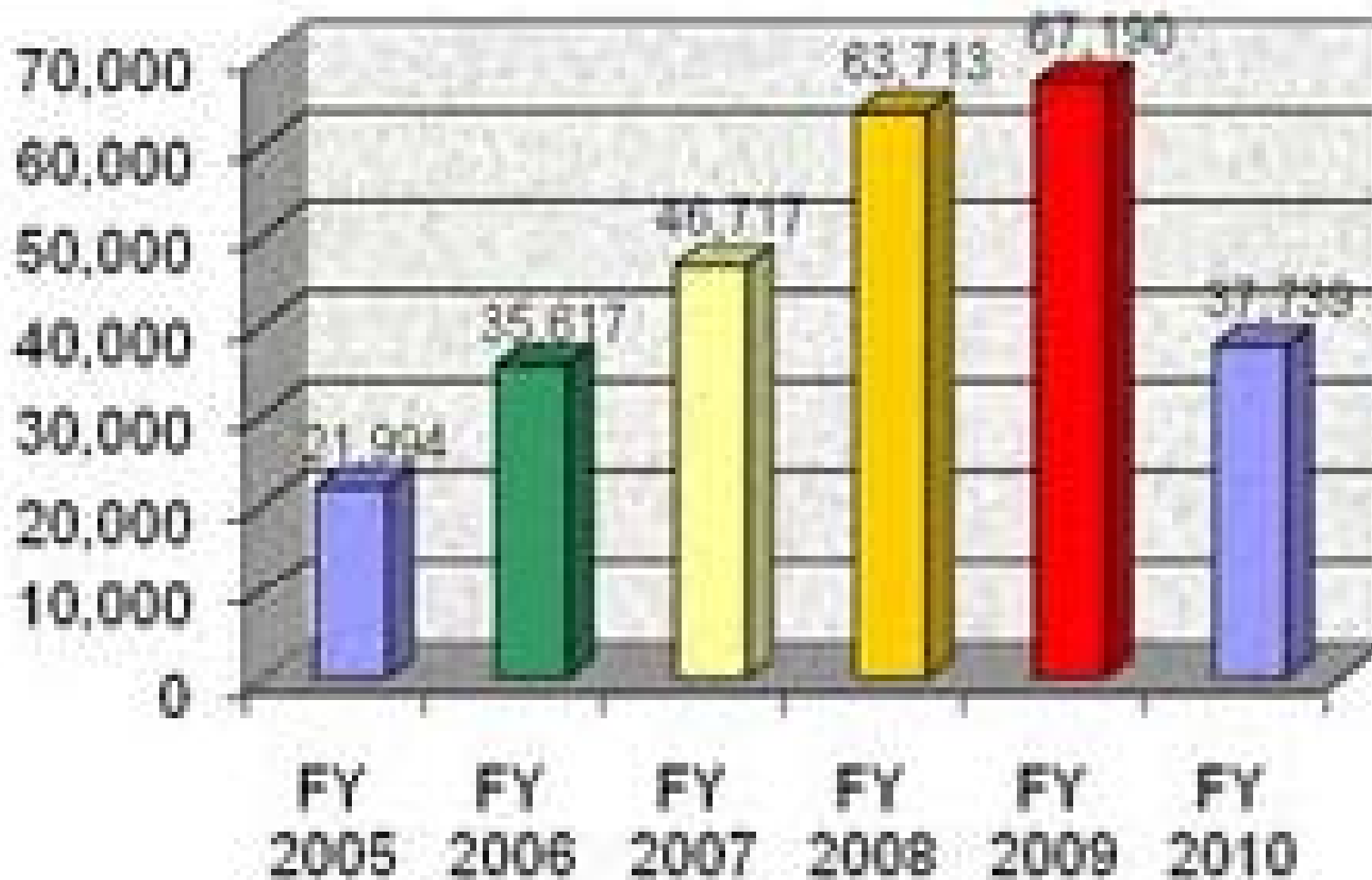
# Survey Results

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■ Increased	40%
■ Decreased	28%
■ Stayed the same	27%
■ No Responses	5%
■ <b>Total</b>	<b>100%</b>



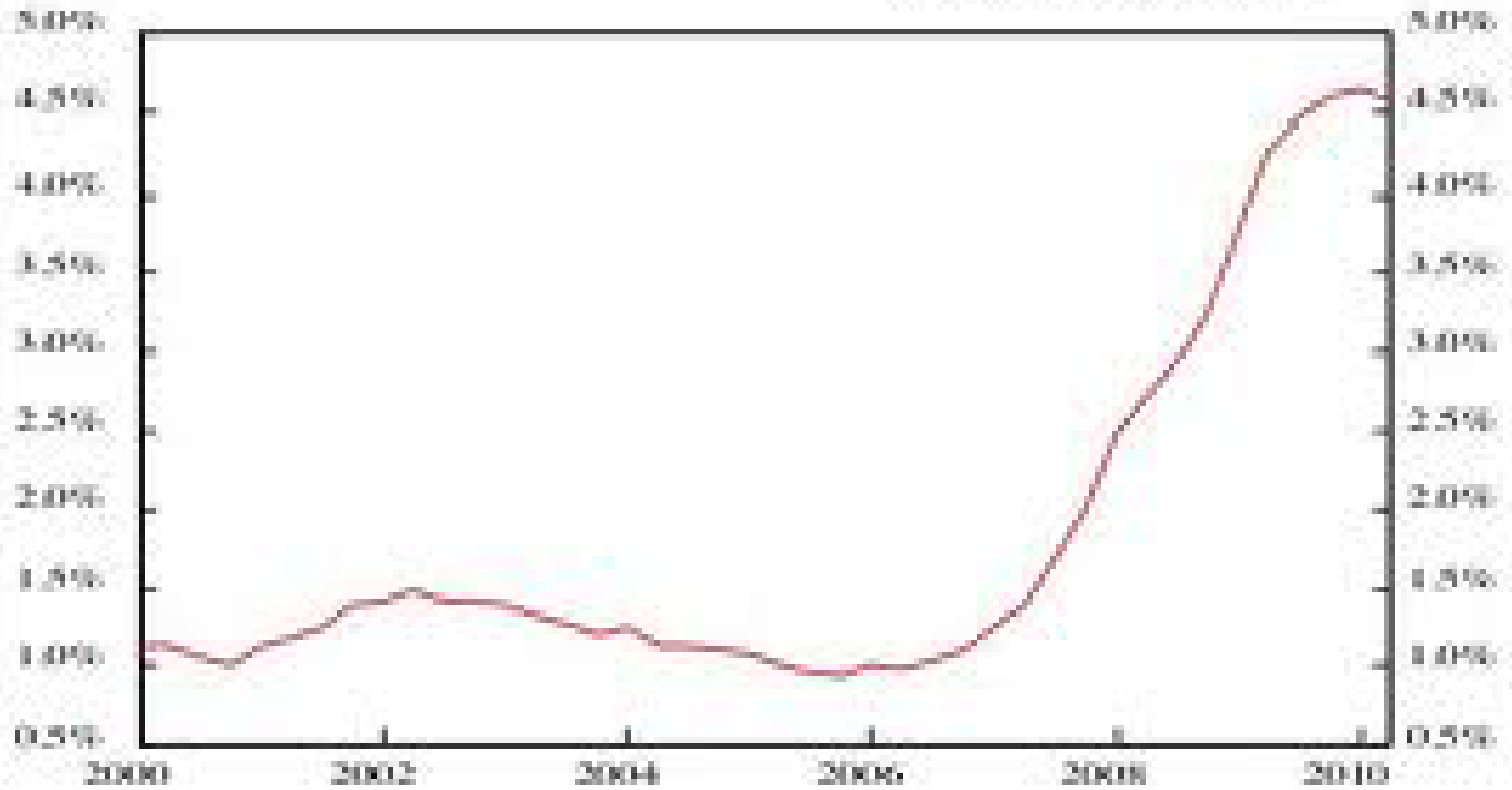
**Figure 1: CoreLogic - Estimated Fraudulent Loans by Origination Year, 2006 through 2010**



**Figure 4: Mortgage Fraud Related SARs,  
FY2005 to 31 March 2010**

# Residential Mortgages in Foreclosure

Last Point 2Q 2010: 4.57%



Source: Mortgage Bankers Association



Fraud is Alive  
and Well



# What types of Fraud have created a concern for you?

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- "Robo" Signing
- Integrity of the Record
- Identity theft
- Fraud at the closing table
- Fraud within the loan transaction
- Foreclosure Fraud
- Other



# Survey Results

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■ Robo" Signing	53%
■ Integrity of the Record	56%
■ Identity theft	60%
■ Fraud at the closing table	30%
■ Fraud within the loan transaction	56%
Foreclosure Fraud	55%
■ Other	13%
■ <b>Total</b>	<b>100%</b>



# Comments – Types of Fraud

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- “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



# What is your perception of the level of industry fraud?

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- High
- Medium
- Low



# Survey Results

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■ High	18%
■ Medium	53%
■ Low	23%
■ No Responses	6%
■ <b>Total</b>	<b>100%</b>

# Have you personally experienced fraud within the land recording system?

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Yes

No





# Survey Results

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■ Yes	32%
■ No	63%
■ No Response	5%
■ <b>Total</b>	<b>100%</b>

# If you responded yes, was fraud.....

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- 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

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■ Perpetrated by the borrower	32%
■ Perpetrated by the loan officer	19%
■ Perpetrated by the title agent	13%
■ Perpetrated by the Recorder's Office	1%
■ All of the above	4%
■ Other	21%
■ No Responses	35%
■ <b>Total</b>	<b>100%</b>



# Do you believe recent Consumer Finance Protection Bureau/RESPA changes to the HUD and GFE have helped mitigate fraud since their implementation?

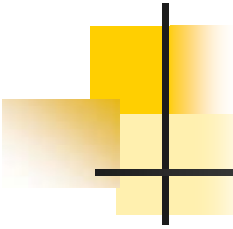
- Yes
- No
- Unsure
- Have no knowledge of these regulations



# Survey Results

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■ Yes	19%
■ No	24%
■ Unsure	40%
■ Have no knowledge of these regulations	11%
■ No Responses	6%
■ <b>Total</b>	<b>100%</b>



**What suggestions do you have for  
the Consumer Finance Protection  
Bureau to further assist in  
combatting fraud in a real estate  
transaction?**



# Comments – for CFPB

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- “Require industry licensing safeguards for title, loan officers, escrow agents, etc.”
- “Prosecution!”
- “Make people accountable. If a notary notarizes a Robo signature, the notary should be barred.”
- “Have better tracking and controls on company 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.”



# Do you believe a National Recording System would have any impact on fraudulent recording practices?

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■ Yes

■ No





# Survey Results

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■ Yes	36%
■ No	51%
■ No Responses	13%
■ Total	100%

# If you answered "yes", do you believe a National Recording System would.....

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- Help eliminate fraud? Explain
- Increase potential fraud? Explain

# Comments – National Recording System

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

DID YOU FIND OUR MORTGAGE DOCUMENTS?

NO. BUT I THINK I FOUND JIMMY HOFFA.

FORECLOSURE MESS





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

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- Yes
- No



# Survey Results

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■ Yes	44%
■ No	49%
■ No Responses	7%
■ <b>Total</b>	<b>100%</b>



# If you answered yes, do these solutions...

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- Validate the authenticity of the borrower?
- Validate the standing and license of the title agent?
- Validate the standing and the license of the loan officer or mortgage broker?
- Identify fraud within the land record system?
- All of the above?
- Other
- No Responses



# Survey Results

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- Validate the authenticity of the borrower? 25%
- Validate the standing and license of the title agent? 12%
- Validate the standing and the license of the loan officer or mortgage broker? 12%
- Identify fraud within the land record system? 20%
- All of the above? 22%
- Other 12%
- No Responses 28%
- **Total** 100%



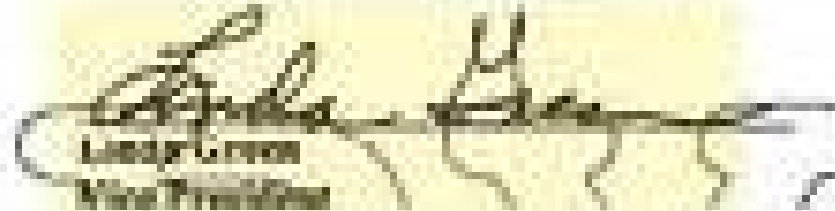


# Comments- Additional Technology Solutions

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- “Alert property owners to recently recorded docs in their names.”
- “Ability to reject if SSN or license # in on document.”
- More.....

American Home Mortgage Servicing, Inc. as  
successor-in-interest to Optima One Mortgage Corporation

  
Linda Green  
Vice President

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MORTGAGE ELECTRONIC REGISTRATION SYSTEMS, INC.

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AS NOMINEE FOR AMERICAN BROKERS COMPANY

  
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Abstract Funding Services, Inc. by American Home  
Mortgage Servicing, Inc. as Successor-in-Interest

  
Linda Green  
Vice President

# 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

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■ 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%
■ <b>Total</b>	<b>100%</b>

# Additional Steps Combat Fraud

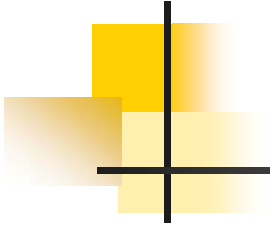
- Reverse mortgage loan officers should have special training and certification to originate reverse mortgage loans.
- Definitely NOT a national recording system
- Enforcement of the rules and punishment by those committing the fraud
- Recording department will record any document that comes through. 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."

# What segment of the industry do you represent?

■ Recorder and/or County Clerk	25%
■ Escrow Agent	1%
■ Lender	38%
■ Title	9%
■ Vendor	8%
■ Other – (Attorneys, Appraisers)	12%
■ No Responses	7%
■ <b>Total</b>	<b>100%</b>



Questions??????????





# Next Steps...

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- Want to Get Involved??
- Committee or committees - direction??
- White Paper???
- Technology Programs??
- *More.....*

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TRULY  
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