



# Mortgage Fraud



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# Mortgage Fraud



- In 2006, 2007, and 2008 Florida ranks 1st in the US for loans that contain alleged fraud. (Mortgage Asset Research Institute, MARI)
- Miami-Dade County is the 4<sup>th</sup> metropolitan area in the U.S. in instances of Mortgage Fraud. (MARI)



# According to the FBI

- Data was compiled and analyzed from law enforcement and industry sources to determine those areas of the country most affected by mortgage fraud during 2007, indicate that the top ten mortgage fraud areas were California, **Florida**, Georgia, Illinois, Indiana, Michigan, New York, Ohio, Texas, and Utah.



**MARI Fraud Index (MFI)<sup>iv</sup>  
 By State  
 (2003-2007 All Originations)**

State	2007		2006		2005		2004		2003	
	Rank	MFI								
Florida	1	215	1	217	3	169	5	180	7	159
Nevada	2	204	6	120	14	85	37	27	13	112
Michigan	3	200	3	141	2	200	3	207	4	176
California	4	170	2	204	8	121	18	66	22	55
Utah	5	156	11	95	7	124	6	168	3	181
Georgia	6	125	4	123	1	311	1	417	1	499
Virginia	7	114	14	68	24	49	30	39	37	28
Illinois	8	107	8	102	4	159	7	134	10	145
New York	9	94	9	99	11	106	12	101	14	109
Minnesota	10	90	5	121	9	121	17	72	27	47

# Top Ten States in Mortgage Fraud

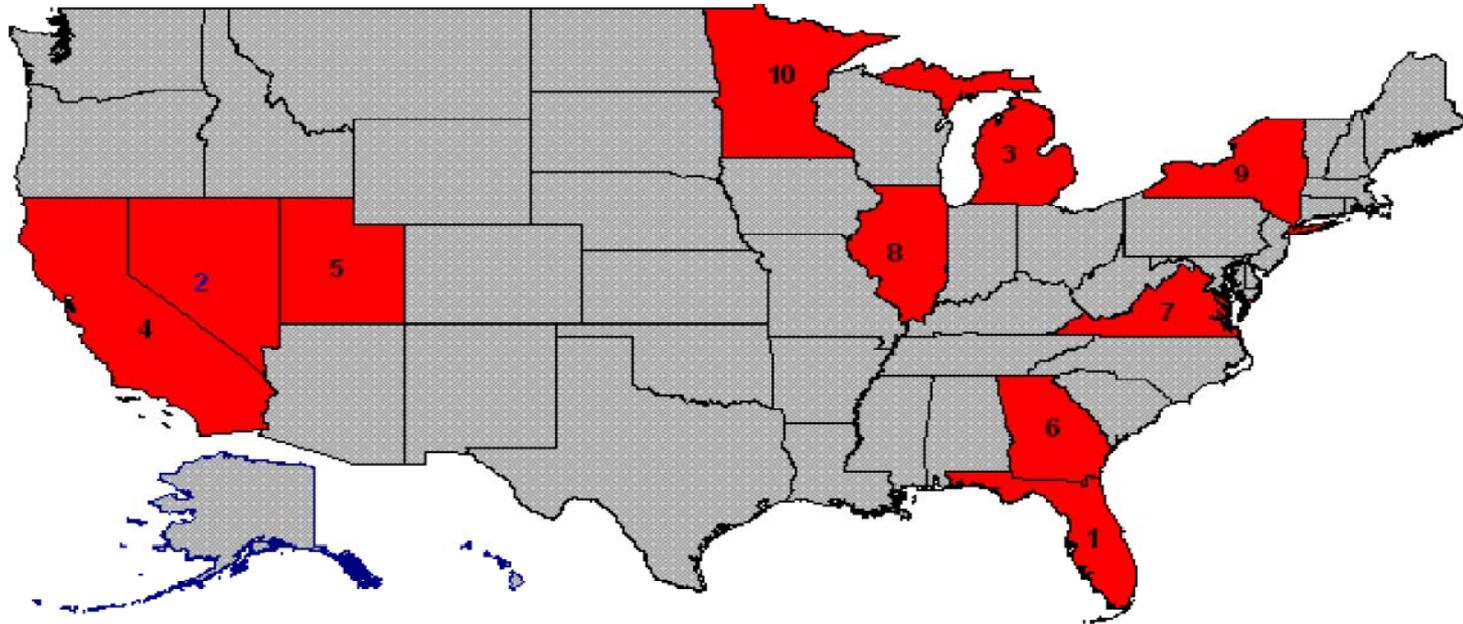


Figure 1 (Top Ten States Overall for 2007)

# Top Ten States in Mortgage Fraud (Sub prime loans)

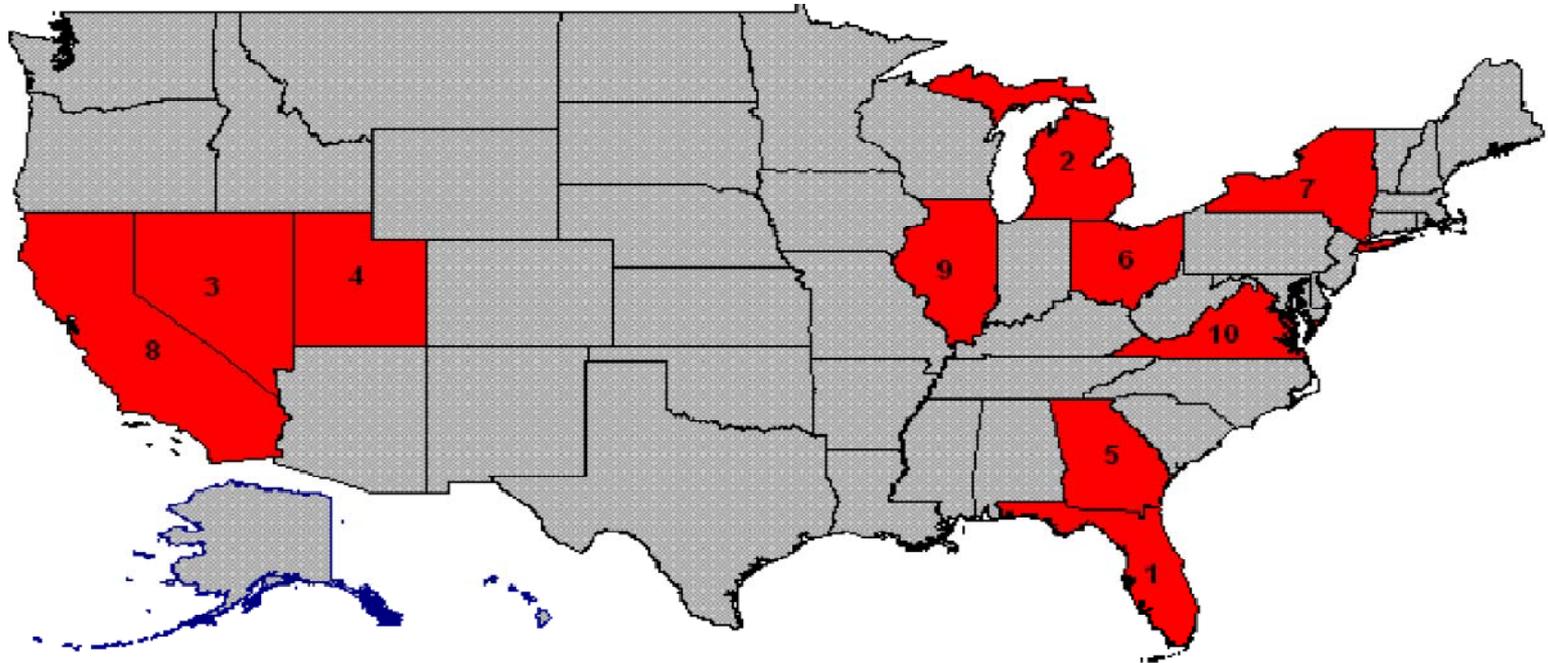


Figure 2 (Top Ten States Subprime MFIs for 2007)

# Types of Fraud

- **Real Estate Fraud:** In cases of real estate fraud, an individual may use fraudulent documents to steal the title or deed to the property of a legitimate owner. Most commonly, the perpetrator will then obtain a loan on the property with intent to commit mortgage fraud. They will then often take the money and default on the loan, leaving the legitimate owners with the outstanding debt. (Schemes false quit claim deeds, foreclosure rescue schemes)

# Types...

- **Appraisal Fraud: A common example of appraisal fraud involves property flipping. Here a property is purchased using an initial mortgage. The property is then appraised at a much higher value, using an unscrupulous appraiser. It is then resold quickly for maximum profit. Other appraisal fraud involves inflating the value of a property in order to obtain a second mortgage or to pad the commissions of real estate brokers or agents. (artificial inflation of valuations = increased tax burden)**

# Types . . .

- **Mortgage Loan Fraud: A potential buyer obtains a loan using fraudulent income, credit, employment or appraisal documents to obtain a mortgage for which they are not qualified. This type of fraud hurts lenders as many unqualified buyers are eventually forced to default on their loans. Often, these buyers are assisted by professionals who hope to increase their profits. (straw buyers)**

# What is Mortgage Fraud in Florida

- **FSS 817.545 (2007)**
- **2) A person commits the offense of mortgage fraud if, with the intent to defraud, the person knowingly:**
  - **(a) Makes any material misstatement, misrepresentation, or omission during the mortgage lending process**
  - **(b) Uses or facilitates any ...**
  - **(c) Receives any proceeds or any other funds in connection with the mortgage lending process that the person knew resulted from a violation of paragraph (a) or paragraph (b).**
  - **(d) Files or causes to be filed with the clerk of the circuit court any documents that contain.**

# FSS 817.545

- (4) For the purpose of venue under this section, any violation of this section is considered to have been committed: (a) In the county in which the real property is located; or (b) In any county in which a material act was performed in furtherance of the violation.
- (5) Any person who violates subsection (2) commits a felony of the third degree, punishable as provided in s. 775.082, s. 775.083, or s. 775.084. History.--s. 13, ch. 2007-182. Copyright © 1995-2007 The Florida Legislature

STEP 6# The bank is left with a \$600,000 mortgage on a \$200,000 home for a loss. If the loan was FHA-insured, the federal government absorbs the loss.



STEP 1# Subject A purchases a property for \$200,000.



STEP 2# Subject A has the property fraudulently appraised for \$800,000.

## Anatomy of a Common Mortgage Fraud



STEP 5# No payments are made towards the mortgage. Home goes into foreclosure.



STEP 4# Subject A pays off first loan of \$200,000. Subjects A & B split \$600,000 balance.



STEP 3# Subject A sells the property for \$800,000 to Subject B (straw buyer). A **straw buyer** is a loan applicant used to obtain a loan, but does not intend to occupy the property.



Miami-Dade Police Department  
Economic Crimes Bureau  
Mortgage Fraud Task Force  
By J. Salazar, IA  
9/27/2007

# Florida Foreclosures

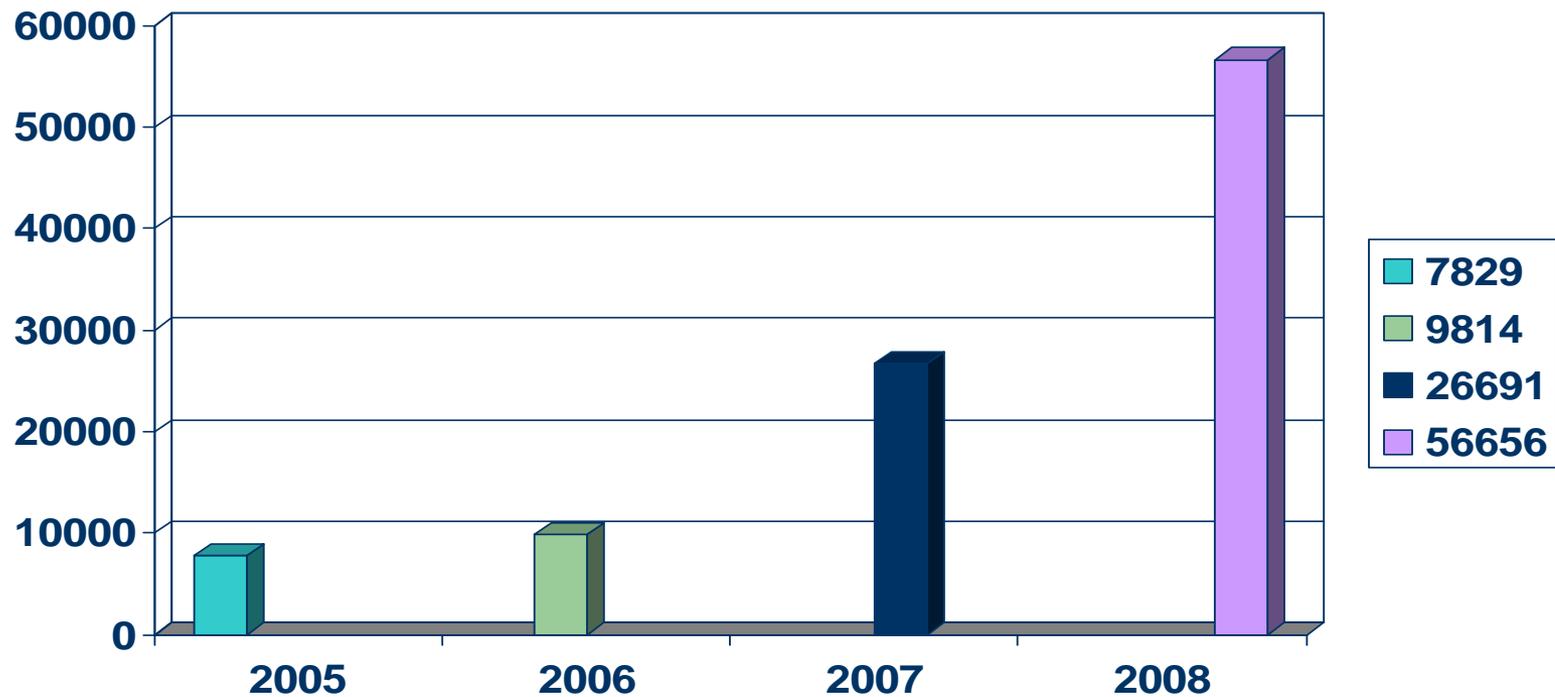
- In 2007 Florida ranked 2<sup>nd</sup> in the US in foreclosures with 279,325 filings which increased over 124% from 2006 and over 129% from 2005.
- This is two filings for every 100 households in the state
- In 2008 Florida is again ranked 2<sup>nd</sup> in the US with over 500,000 foreclosures



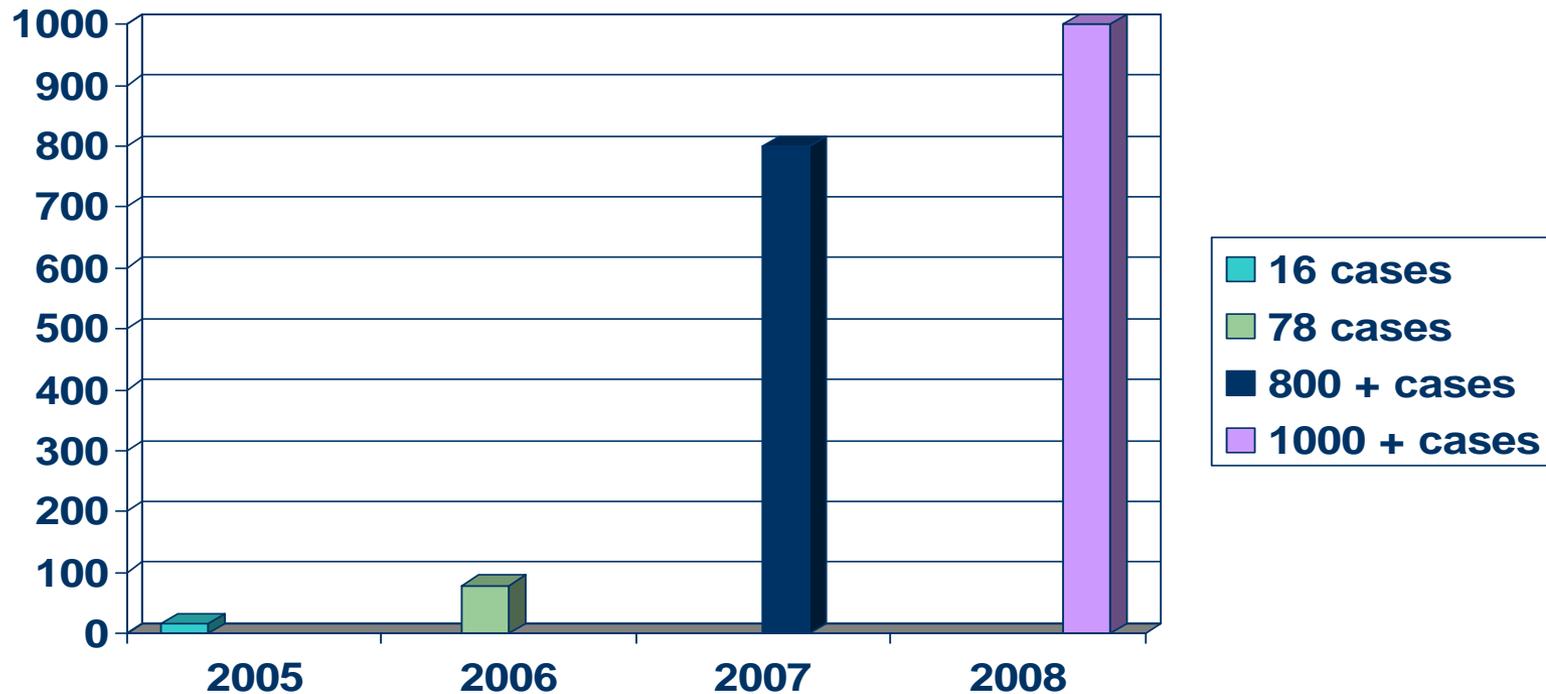
# Miami-Dade Foreclosures

- In 2007 Miami-Dade County had 26,391 foreclosures filed an increase of 168% from 2006.
- Miami-Dade County is ranked 1<sup>st</sup> in the state of Florida for foreclosures and mortgage fraud.
- This is one foreclosure for every 32 households, nearly triple the rate of the state.
- In 2008, there were 56,656 foreclosures filed in Miami-Dade.

# Miami-Dade County Foreclosures



# Miami-Dade Police Department Reported Cases of Mortgage Fraud



# **Miami-Dade County Solution**



# Miami-Dade County Mayor Carlos Alvarez' Mortgage Fraud Task Force



# Mission Statement

- **We are a public/private partnership created to reduce mortgage fraud and prevent victimization of individuals and businesses through effective education, legislation, regulation, law enforcement and prosecution.**
- **The task force will consist of an executive board that will be responsible for policy, decision making, vision, and direction. The executive board will consist of political figures, public sector leaders, business leaders, law enforcement professionals, and prosecutors.**

# Committees

- **The task force is broken down into 5 separate committees; each committee is responsible for an important portion of the mortgage fraud task force mission.**

# Committees

- 1. Law Enforcement Committee – this committee is responsible for the detection, investigation, and apprehension and prosecution of the mortgage fraud subjects and enterprises.**

# Committees

- 2. Legislative Committee – this committee is responsible for enhancing current laws, creating new laws and ordinances. All these efforts are in furtherance of the mortgage fraud task force mission.**

# Committees

- 3. Regulatory Committee – this committee is responsible to enhance and enforce regulations on all parties involved in the mortgage transaction.**

# Committees

- 4. Business Partnership Committee – this committee is responsible to create and transmit effective business practices to enhance cooperation with law enforcement and between different professions involved in the mortgage transaction. Businesses that have committed to the task force include banks, title insurance companies, realtors, appraisers, and mortgage brokers.**

# Committees

**5. Education Committee – this committee is responsible to create public awareness through printed literature, newspaper articles, and television reports. The committee will be championed with the assistance of the elected officials and media representatives.**

# Task Force Successes

- **CREATED SEPTEMBER 2007**
- **1ST LOCAL PUBLIC/PRIVATE TASK FORCE TO ADDRESS MORTGAGE FRAUD IN THE STATE AND COUNTRY.**
- **OVER 100 ARRESTS FOR MORTGAGE FRAUD TO DATE.**
- **OVER TWO THOUSAND CASES RECEIVED AND OVER 600 UNDER INVESTIGATION.**
- **TRAINED OVER 400 LAW ENFORCEMENT AND PROSECUTERS IN FLORIDA.**

# Successes

- **CREATED THE REAL ESTATE PROFESSIONALS CODE OF CONDUCT**
- **CREATED A PUBLIC COMPLAINT FORM TO REPORT MORTGAGE FRAUD**
- **ESTABLISHED A DATA BASE OF SPEAKERS TO APPEAR AT ENGAGEMENTS AND TALK ON BEHALF OF THE MAYORS MORTGAGE FRAUD TASK FORCE**
- **DRAFTED HR 6853 NATIONWIDE MORTGAGE FRAUD TASK FORCE BILL.**

# Legislative Initiatives

- **Create new legislation to enhance penalties for mortgage fraud. (completed 2008 session 2<sup>nd</sup> degree felony)**
- **Allow property appraisers the ability to remove artificially inflated valuations due to mortgage fraud. (completed 2008 session FSS 193.133)**
- **Create a statewide council/task force to address mortgage fraud. (in progress)**

# Regulatory Initiatives

- **Allow Department of Business and Professional Regulation and Office of Financial Regulation the ability to suspend a realtor/mortgage broker license when he or she is arrested for mortgage fraud. Upon conviction immediate revocation, if exonerated allow reinstatement.**
- **Create a nationwide data base of licensed originators and brokers.**

# How to report suspected Mortgage Fraud

- **Call Miami-Dade Police Department  
Economic Crimes Bureau  
(305) 994-1000**
- **On line at [www.miamidade.gov/mayor](http://www.miamidade.gov/mayor)**



**Thank You**

Questions

