

Mortgage Fraud

Presented to the Palmetto Affordable Housing Forum

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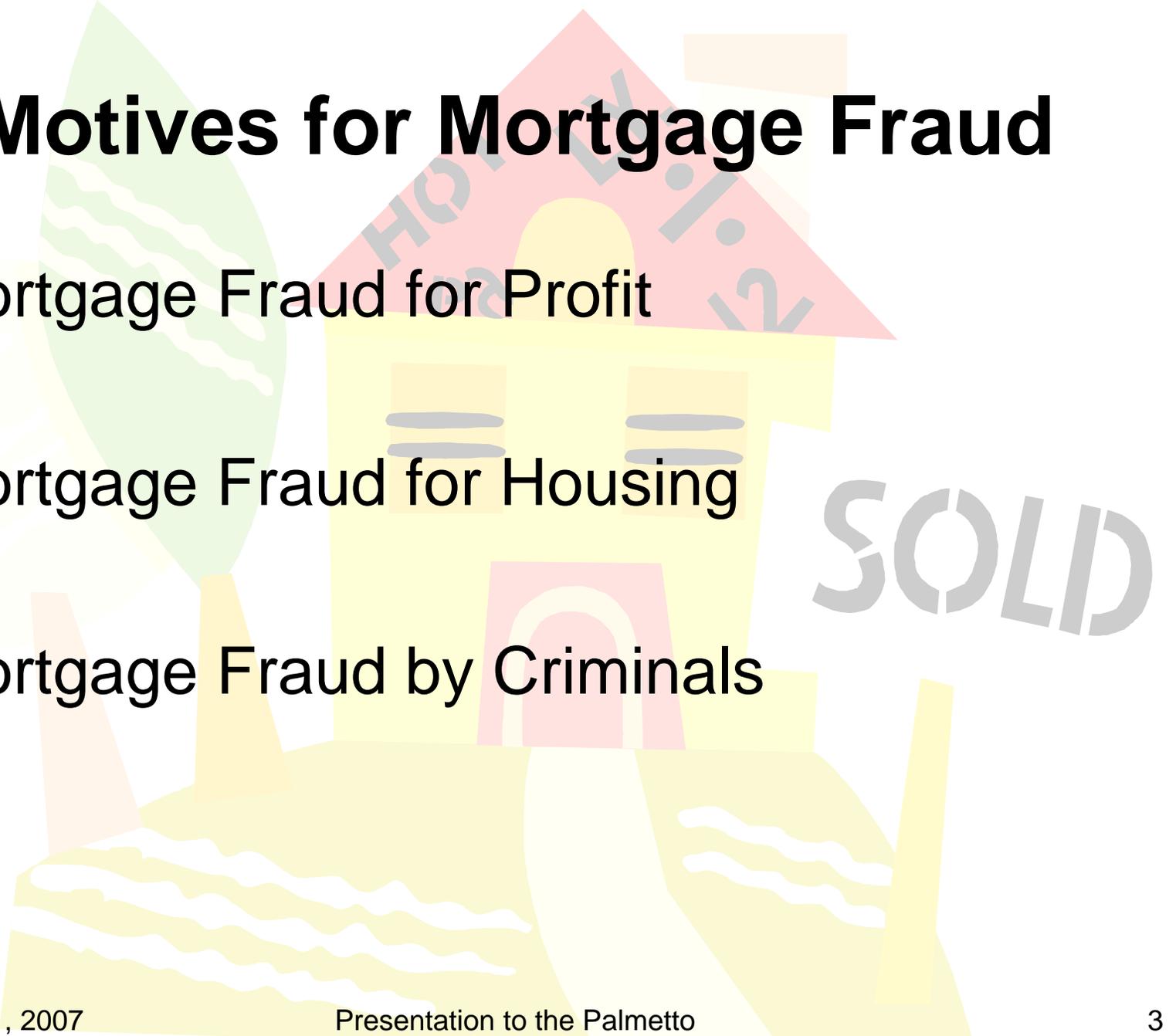
South Carolina Department of Consumer Affairs

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Mortgage Fraud Definition

- A material misrepresentation, misstatement or omission that is relied upon in making a lending decision.
- Not a statutory definition, it is not in our code

Motives for Mortgage Fraud

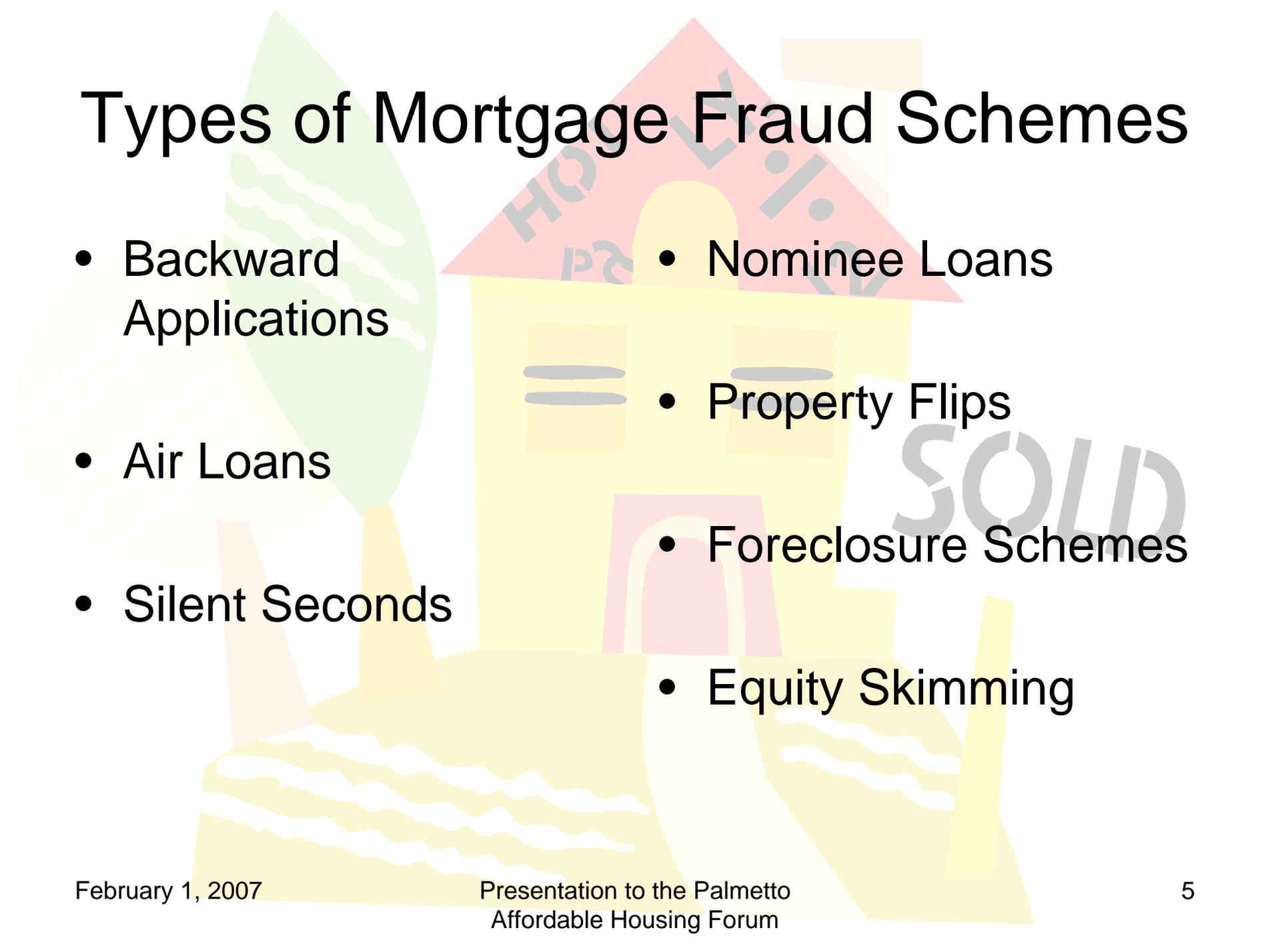
A stylized illustration of a house with a red roof, yellow walls, and a pink door. The house is set on a green lawn with white wavy lines representing grass. To the right of the house is a large, grey, 3D-style sign that says 'SOLD'. The background is white with faint, light-colored shapes.

- Mortgage Fraud for Profit
- Mortgage Fraud for Housing
- Mortgage Fraud by Criminals

Who is involved?

- Potentially any settlement service provider: those convicted have included appraisers, real estate agents/brokers, mortgage brokers/lenders and their originators, bank officers/other employees, title insurance agents and attorneys
- Not an all inclusive list

Types of Mortgage Fraud Schemes



- Backward Applications
- Air Loans
- Silent Seconds
- Nominee Loans
- Property Flips
- Foreclosure Schemes
- Equity Skimming

How bad is it?

- The FBI reports that mortgage fraud is one of the fastest growing white collar crimes in the United States
- The True extent is unknown: the FBI only receives reports from federally regulated entities
- It is costing us billions annually

What are the costs and who pays?

- The true costs are unknown
- We all pay
- Mortgage costs are increased
- Higher taxes, property and others

What do we do about it?

A stylized illustration of a yellow house with a red roof and a pink door. The house has two windows with grey horizontal bars. A large, semi-transparent 'SOLD' sign is overlaid on the right side of the house. The house is set on a green lawn with white wavy lines representing grass or water. A large green leaf is on the left side of the house.

- Identify
- Report
- Educate
- Investigate
- Prosecute