

The Inexperienced Fraudster

Overview:

Often, inexperienced fraudsters are committing *Fraud for Shelter* in the hopes of buying themselves a home. However, inexperienced fraudsters can also be first timers, who are just testing the water for future fraudulent activities.

Behaviour and Communication:

An inexperienced person committing fraud will often display an excessive amount of anxiety. They will display this unusual amount of nervousness specifically as they push for the deal to close quickly. They may be quite guarded with their information, and will be unwilling to share particulars such as where they work or what their plans are for their new home.

Exercise

10 minutes

Instructor:

Provide all participants with a copy of Exercise 4. Ask participants to break into pairs and read the two profiles. In each case, ask them to:

- € **Identify whether or not they would be concerned about potential fraudulent activity**
- € **Underline the warning signs they recognize in each scenario**
- € **Formulate a step-by-step action plan to protect themselves**
- € **Record their comments in the spaces below**

Once completed, ask one volunteer for each example to share their comments with the whole group.

The Offer

7 minutes

In some cases, the buyer and seller may already know each other and they approach you to write an offer. They may state that they want you to be involved in the transaction to be fair to both parties, or to protect each other's interests. The parties coming to you with such a transaction may be undertaking two types of fraud.

- 1) **Title Fraud** – they may be using identity theft to steal the title to the property in question and obtain the funds from the mortgage loan
- 2) **Air Loan** – they may be using you to list a property that does not exist, or exists in a different form than what is disclosed.

Note that it is advantageous for a borrower to include a Realtor® if they wish to commit title fraud.

If a transaction is a private sale, the lender and insurer often exercise increased due diligence. They often require a full appraisal and copies of property tax assessments because a private sale is less transparent.

The fraudster is looking for the Realtor's® involvement to 'disguise' the transaction as 'legitimate'. When the transaction is facilitated by a Realtor®, it is easier for the transaction to be automatically approved, thereby avoiding due diligence on the part of the lender and insurer.

Warning Signs:

Lack of Concern For Negotiating a Better Purchase Price:

When a buyer is purchasing a home which is already listed, he/she is generally less concerned with negotiating a better purchase price. They are more anxious about getting the offer accepted, and will accept the price immediately or very quickly after limited negotiation. They will rarely ask for any concessions from the seller.

Pressure to Close the Deal Quickly:

Buyers who are intending to purchase a home using fraudulent means to fund the mortgage generally want to close the transaction very promptly. The faster they can close the deal, the easier it is to hurry paperwork through the lenders. The less time the lender has to complete their due diligence, the less chance there is of the fraud being identified.

Identity of the Buyer:

A buyer who requests the contract not be written in their own name, but lists the buyer as and/or nominee may be intending to have a straw buyer purchase the home on their behalf. Also be aware of the buyer who uses Power of Attorney to sign contracts. It is strongly recommended that you meet every buyer ***in person*** before you list their home or represent them in a transaction. If you are able to meet the buyer in person, at the very least request that they send you a copy of their picture ID.

The Mortgage Application**3 minutes**

When it is time for the buyer to make a mortgage application, they will generally do so directly with the mortgage originator or lender. However, there are a couple of signs you can be on the look out for.

Reluctance to Deal With Lenders or Other Mortgage Professionals:

The fraudulent borrower may have a strong reluctance to working with your lender or mortgage professional. They may already have their own lender or mortgage professional that they prefer to work with, because that contact has been identified as one who can intentionally or unintentionally process fraudulent activities.

Unusual Level of Paperwork Preparation:

In the case of the experienced fraudster, they will be very prepared. They may already have a copy of a mortgage application filled out and ready to go. If they need to fill out an application, all information will be filled out immediately, and they will have the answers to every question. They will be able to quickly tell the mortgage originator or lender the home they last lived at, the date s they were there, and what their postal code was three years ago. A legitimate buyer will generally not have all the answers, and will need to get back to you with additional information.

The Mortgage Documentation**5 minutes**

Generally the paperwork required for mortgage approval (such as the job letter and/or down payment verification) is provided directly to the mortgage originator or lender from the buyer. However, there are times that the Realtor® may have the opportunity to see the documentation.

Effort to Keep Parties to the Transaction Separated:

An experienced fraudster will usually keep all parties to the transaction very separate and will not give you the opportunity to see the paperwork. However, you will find that the experienced con will have the paperwork ready far quicker than the average buyer. They will know the documentation required, and may have it ready before the mortgage process even begins. They want to speed up the transaction, so the deal can close before due diligence is performed.

Signs of Document Fraud:

The less experienced fraudster may, however, not cover their tracks as well. For example, they may use your fax machine to send documentation, or may give you copies of the documents to send to the lender. The inexperienced con's mistakes will be more readily available and may include:

- ∄ Use of white out
- ∄ Fonts are inconsistent on page
- ∄ Evidence of photocopying
- ∄ Crooked text, numbers or logos
- ∄ Date in the future or far in the past
- ∄ Spelling errors on job letters
- ∄ Inconsistencies between job letters versus pay stubs
- ∄ Phone number for contact person on job letter different from main number shown on letterhead
- ∄ Contact person phone number is a cell number
- ∄ Contact person is the same person as the applicant
- ∄ Lack of professional letterhead
- ∄ Place of employment is far from the home the buyer is planning to buy as an owner occupier
- ∄ Place of employment cannot be found in the yellow pages, white pages, or on the Internet

Exercise**7 minutes****Instructor:**

Hand out Exercise 5. Have the participants read through the three job letters, and note any concerns they have in the box provided. Once complete, ask three volunteers to share their answers to each example.