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Mortgage Fraud vs. Predatory Mortgage Lending

According to the Federal Bureau of Investigations (FBI), mortgage fraud is one of the fastest growing white collar crimes in the United States. People being arrested and prosecuted for mortgage fraud include buyers, sellers and others within the mortgage industry.

"Mortgage Fraud" is a term that is broadly used. The intent of mortgage fraud is to misrepresent or emit information on a mortgage loan application in order to obtain a loan, or a larger loan than what would have been obtained had the lender known the truth. Some different examples of mortgage fraud are:

Income Fraud – where a borrower claims a higher income than what he/she makes in order to qualify for a mortgage or a larger amount.

Employment Fraud – a borrower claims he/she is self-employed for a non-existent company or claim that they make more money than what they are actually paid.

Fraud for Profit – involves multiple parties, which include but are not limited to, mortgage lending professionals, a dishonest appraiser who overstates the value of a property, and/or a dishonest settlement agent. This is the one that is most seen.

Appraisal Fraud – occurs when the homes value is deliberately overstated or understated. This is done to obtain a lower price on a foreclosed home, or to fraudulently attempt to induce a lender to decrease the amount owed on a mortgage.

Mortgage fraud should not be confused with "Predatory Mortgage Lending". Predatory mortgage lending is when a consumer is mislead by lending agents and often occurs on loans that are backed by some kind of collateral so that when a borrower defaults on the loan, the lender can repossess or foreclose on the collateral, thereby profiting by the repossessed or foreclosed sale.
Although there is quite a bit of dispute between lenders and consumer groups as to what constitutes "unfair" or "predatory" practices, the following are some characteristics:

**Risk-based pricing** – charging higher interest rates and fees to extend credit to borrowers. This is commonly used to extend credit to a borrower that has been identified by a lender as a credit risk.

**Failure to disclose clear and accurate terms & conditions** – This more commonly occurs when a borrower does not take the time to educate themselves to clearly understand the transaction. Lenders or brokers have been known to mislead a borrower and actually alter documents after they have been signed.

Mortgage brokers usually complete the mortgage applications, thus making it difficult to locate the source of misrepresentation. These forms are signed by a borrower and many times, the borrower fails to completely read an application or will sign a blank application that is later filled in by a broker.

To keep from falling victim to mortgage fraud or to predatory mortgage lending, be sure to read and understand everything that you are to sign. If you do not understand the document or what is being explained to you by a broker or lender, take the paperwork to an attorney for review. Some attorneys will do an initial consultation free of charge. Even if there is a fee for the attorney's service, it may be cheaper in the long run than to sign something that you do not understand and lose thousands of dollars, or your home, later on.

For assistance and to report mortgage fraud and/or predatory mortgage lending, you may elect to contact one of the following:

Colorado Attorney General – Consumer Protection  
1525 Sherman Street, 7th Floor  
Denver, CO  80203  
(303)866-4500

Colorado Civil Rights Commission  
1560 Broadway, Suite 1050  
Denver, CO  80202  
(303)894-2997

You may also contact the Foreclosure Hotline at (877) 601-HOPE (4673).

*IDENTIFY A SCAM BEFORE A SCAM IDENTIFIES YOU!*