



MetLife®

Underwriting The Risk “A Financial Nightmare”

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UNDERLYING FACTORS: Intentional or Unintentional

Misrepresentations – Concealment – Fraud

Key Factors

Intentional or Unintentional
Innocent or Deceptive
Unmasked and Non-Disclosed
Material To The Acceptance
Direct or Indirect (By Another)

Criminal or Civil

ASSERTING DEFENSES: Civil -vs.- Criminal

CIVIL DEFENSE

Contract Law

Contract Rescission

Policy Avoidance

Non-Renewal

Cancellation

Negotiated Earned Premium Deductions

Denial of Optional Coverage

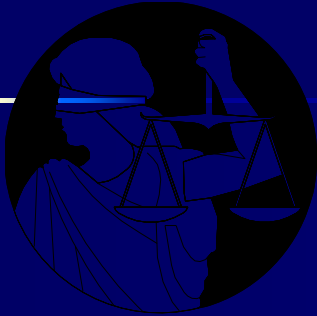
CRIMINAL DEFENSES

Regulatory & Criminal Statutes

Furnishing False and Fraudulent Information

Obtaining Property, Goods, & Services by False Pretense

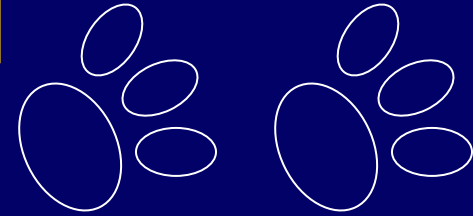
Theft & Fraud





MORTGAGE FRAUD

MORTGAGE FRAUD - Defined



Mortgage loan fraud is an intentional perversion of the truth, misrepresentations, and or concealment to a lender for the purpose of obtaining monies through a loan agreement that would otherwise not be advanced if the true fact were known.

The most egregious form of mortgage loan fraud, referred to as fraud for profit, typically involves one or more of the following:

Grossly Inflated Appraisals

First & Second Mortgage Loans Financing 100% Loan to Value Value

Material Misrepresentations On The Loan Application

Inflated Income, False Deposit Balances and Omitted Debt Disclosures.

Mortgage Fraud: An Economical Crisis



Mortgage fraud is one of the fastest growing white-collar crimes in the United States.

So rampant that the resulting "epidemic" of crimes could trigger a massive financial crisis and lending breakdown.

Between 2007 & 2008, the FBI increased their agents handling financial crimes doubling the number of cases assigned.

Over 66,000 Mortgage Fraud Suspicious Activity Reports submitted in 2008 with more than \$1.5 billion in losses.
Estimated Annual Losses - \$4 to \$6 billion.

FBI has 1644 active cases with 42 Working Task Forces

In 2008, the FBI reported 560 indictments with 338 convictions.

Mortgage Schemes



- **Occupancy Fraud - Non-Owner Occupant-Residential Issue**
- **Income Fraud - Falsifying Employment Income**
- **Credit Renting**
- **Employment Fraud**
- **Concealment of Liabilities**
- **Appraisal Fraud - Inflated Purchase Price**
- **Cash-Back Schemes - Undisclosed Kickbacks**
- **Shotgunning – Dual Loans - Silent Second Mortgage**
- **Buy and Bail – Contractor Fraud**
- **Falsifying Deposits – Monetary Gifts**
- **Mortgage Flipping - Straw Buyers**
- **Investor Fraud**
- **Professional Mortgage Fraud - Fraud For Profit**

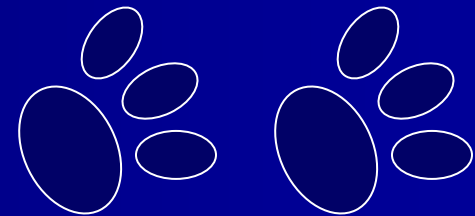


Mortgage Schemes



Schemes That Span Through The Financial Industry

- Identity Theft/Identity Fraud
- Counterfeiting
- Money Laundering
- Misrepresentations – Concealment – Non Disclosure
- Insurance Related Claims & Fraud (May Involve A&H)
- Wire & Mail Fraud
- Forgery
- Securities Fraud
- Check Fraud



Mortgage Schemes



Professional Mortgage Fraud - Fraud For Profit

Usually Highly Complex Schemes to Defraud

Land Fraud – Ponzi Schemes – Straw Buyers

Often Times Include Multiple Parties - Financially Motivated

Mortgage Lending Professionals



Loan Officers
Appraisers
Contractors
Real Estate Agents
Investors
Sellers
Buyers/Borrowers



Figures Don't Lie – Liars Figure



REVERSE MORTGAGES



Reverse Mortgages: Schemes



Inappropriate Sale to the Elderly
Home Equity Conversion
Foreclosure Scams
Reverse Mortgage Flipping
Reverse Mortgage Bailouts
Over Extenuating Scams
Cross-Selling
Bogus Reverse Mortgage Specialist



Figures Don't Lie – Liars Figure

INVESTIGATIVE UNDERWRITING

Investigative Underwriting

Quality –v- Quantity

Last Line of Defense

Discerning Deception

Question Suspicious Activity

Thoroughly Review & Verify Documents

Identify & Report Uncertainties

Organized Efforts



Make fraud awareness a business principle.



Understand the impact of fraud.



Be cognizant of what appears abnormal.



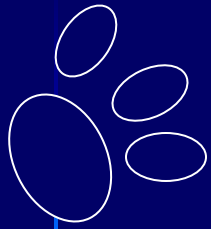
Be familiar with known fraud indicators.



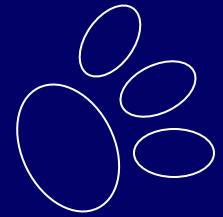
Educate & encourage customers to make appropriate decisions.



Call us! We can discuss any concerns you may have.



MetLife®



Thanks For Attending Questions?

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Corporate Ethics & Compliance

