

Busier times, more time for mistakes

Mortgage bankers may get help from feds on SSI number validation

*Real Estate Finance Today
December 17, 2001*

Two mortgage fraud specialists warned that the current refinance boom exposes mortgage lenders to a higher chance of becoming victims of fraud.

As rates remain relatively low and lenders already are working "bursting pipelines" and dealing with pressure to get loans out during busy periods, harried lenders may overlook some of the simple red flags in the applications that warn of potential fraud.

And, with many loan officers working 12-hour days to handle the refinance boom this year, the opportunity for mistake has greatly increased too.

The best defense against fraud, especially identity theft, is noticing glitches on the applications that do not add up, Jacqueline Dreyer, president of LoanCert, Inc., San Rafael, Calif., said in an audio conference for CampusMBA December 12. The ability to effectively review a loan application with a clear mind is invaluable.

"We've seen cases where a notation saying the Social Security number has not yet been issued is overlooked," Dreyer said. "But the loan goes through anyway. In cases of fraud, 50 percent of the loan files have some sort of red flag."

Identity theft, which often involves the theft of a Social Security number and sometimes involves children's numbers, is the leading fraud problem, according to lenders.

"I can say that Social Security number theft is my biggest problem," said Lloyd Kushner, vice president and chief underwriter for Platinum Home Mortgage Corp., Rolling Meadows, Ill.

Invalid Social Security numbers submitted with loan applications continue to plague the mortgage industry. The scheme is very active in the Chicago area, according to Rachel Dollar, Lanahan and Reilly LLP, Santa Rosa Calif., also a presenter on the audio conference.

"Up until the 1960s, there was a simple method used to identify false Social Security numbers," Dollar said. "It related to the use of odd and even number social security numbers."

But today, Dollar said there are several characteristics to look for, one of the most blatant of which is numbers beginning with 800 or 900 since they have yet to be issued. The highest number issued to date is 728, Dollar said.

As for the middle numbers, Dollar said lenders should obtain a chart showing numbers that were issued in different years. There is a pattern that if lenders become familiar with, could help raise red flags for further verification.

In addition, there are also resources available from vendors that can tell lenders whether they are accurate, or have ever been issued.

After the terrorist attacks of September 11, lenders might get some help from the U.S.

government, which is trying to make it more difficult for suspected terrorists to obtain false identities. Some members of Congress are focusing on identity theft. While mortgage fraud takes a backseat to acts of terrorism, mortgage fraud perpetrators could get caught in the crackdown.

Several members of the House Financial Services Oversight and Investigations Subcommittee, along with the House Ways and Means Social Security Subcommittee convened the Death Master File Task force, aimed at addressing a government loophole that makes deceased individuals' identities accessible to thieves. House Financial Services Committee Chairwoman Sue Kelly, R-N.Y. along with House Ways and Means Chairman Clay Shaw, R-Fla., officially convened the task force.

Several members of Congress are urging Treasury Secretary Paul O'Neill to support a death verification system for financial institutions.

"According to the testimony of the Social Security Administration, the timely transfer of death information is the single best way to prevent identity theft of the deceased," Kelly said in a letter to O'Neill urging support.

The federal government is working to make it difficult for potential terrorists to take advantage of Social Security numbers of the deceased.

With that information, the possible terrorist could open banking accounts, obtain accessibility to credit and other benefits, Kelly said. More importantly, though, access to Social Security numbers could allow a prospective terrorist to more easily operate in the U.S. and more easily identify additional information.

The identity theft and ensuing mortgage fraud could not be obtained without key information on an individual with good credit. Much of that information is readily available and mortgage lenders said identity theft is the most prominent new trend in mortgage fraud.

With the correct spelling of a victim's name and a full address, a fraud perpetrator can obtain the Social Security number. Some do so by requesting a credit report from the nation's three largest repositories, Equifax, Experian and Trans Union, according to officials at AppIntell Inc., a fraud audit group based in St. Charles, Missouri.