

Sun-Sentinel (Fort Lauderdale, FL)
June 12, 2005

THE SCARY WORLD OF IDENTITY THEFT; SOUTH FLORIDA WOMAN DISCOVERS SHE 'BOUGHT' TWO OTHER HOUSES

By: Ian Katz

One late afternoon in April, Cheri Capuano was chatting with a neighbor in front of her Coral Springs home when a black Hyundai sedan pulled up. A process server stepped out and handed her two lawsuits requesting foreclosure on two different Miramar houses bought in her name.

Capuano was stunned. She had no idea whose houses they were, who bought them or how her name could be attached to them. As she read the documents, Capuano, 39, couldn't begin to comprehend how complicated her life would become.

She had become a victim of an increasingly frequent crime: the theft of someone's identity to buy a home.

It seems so impossibly brazen. Yet the combination of ID theft and mortgage fraud, which separately are two of the fastest-growing crimes in the country, is surprisingly easy to pull off and a growing problem in South Florida's sizzling housing market, where lenient lending practices can facilitate fraud.

To commit mortgage-related ID theft, all the culprit usually needs is a falsified driver's license, a stolen Social Security number and a rented mailbox.

"If I take on your identity and your credit is good, then here we go," said Mike Walker, a manager for the National White Collar Crime Center, a federally funded nonprofit organization that investigates economic crimes.

The scheme can be carried out in several ways. Frequently the criminals take out a second mortgage under the assumed identity and run off with the lender's check. Sometimes they buy and quickly sell the home, which is known as "flipping," and keep the money. Or they find a house that has been fully paid off, steal the owner's identity and take out a quitclaim deed, a document that releases all of the owner's interest in a property so it can be transferred. Occasionally they even live in the home for a while or rent it out.

After lenders or police figure out what happened, the home is usually foreclosed on and the lender is stuck with the unpaid mortgage or can auction off the home. But the person whose identity was stolen faces months, or even years, of trying to repair a ruined credit rating.

In a May report, the FBI cited ID theft as one of three "rising mortgage fraud trends" and included Florida among 10 hot spots for mortgage fraud in general. In Miramar alone, where the two houses were bought in Capuano's name, police think that stolen identities have been used to buy at least 10 homes in the past year.

Added incentive

South Florida's frenzied real estate market feeds mortgage-related ID theft, experts

say. Rising prices create more incentive for ID thieves to get in on the action as everyone in the real estate chain from lenders to title companies is hungry to take advantage of the market while it's still hot.

In March, three Jamaican nationals were charged in Orange County in central Florida with using ID theft and falsified documents to commit \$3.3 million in mortgage fraud involving about 20 homes in Broward, Palm Beach and Orange counties. About 10 of the homes were in Lauderdale and five in Loxahatchee. The culprits actually lived in at least two of the houses for several months before fleeing. In other cases, they quickly sold the homes.

But this is not just a South Florida problem. Last year 21 people in Utah were charged in a scheme combining ID theft and mortgage fraud. An investigation found that 87 homes were purchased by people using stolen Social Security numbers. One woman's Social Security number was used to buy six homes.

No official statistics are kept for mortgage-related ID theft, but separately, ID theft and mortgage fraud are two of the fastest-growing white-collar crimes. The number of identity theft complaints to the Federal Trade Commission has risen by more than 50 percent in the past two years.

The FBI, which registers "suspicious activity reports," says the number of such reports related to mortgage fraud skyrocketed from fewer than 7,000 in 2003 to more than 17,000 last year. In addition to ID theft, common mortgage fraud scams include phony appraisals, and falsification of loan applications and credit reports.

Investigations slow

Victims can expect difficulty getting their cases investigated quickly. Local police departments usually don't have the resources or the experience to deal with the relatively new phenomenon of mortgage-related ID theft. For starters, sometimes it's uncertain under whose jurisdiction the crime falls.

Capuano filed reports with police in Coral Springs, where she lives, and Miramar, where the homes are located. But police suggested she file a report in Hollywood because the closing took place at a title company's office there. She said she phoned Hollywood police but has yet to file a report. As a result, no police department is investigating.

In Capuano's case, one of the homes was purchased with a \$360,000 interest-only mortgage, requiring no down payment, in October under her name. The other was bought three weeks later with Capuano as the supposed co-signer on a \$296,000 mortgage. It is unclear whether the \$296,000 mortgage was also interest-only. The signatures on the mortgage applications do not resemble Capuano's signature.

The motive might have been to get cash from second mortgages, a common method in mortgage fraud. The criminal signed for a \$74,000 second mortgage, or loan, on the same day the \$296,000 first mortgage was signed. A second mortgage was also apparently taken out on the other home.

Tracing identity theft

Now Capuano, a saleswoman for a satellite phone company in Weston, spends

several hours a week on the phone trying to clean up the mess. One of the two foreclosure lawsuits filed by the lenders has been dropped. A public auction on the other house is scheduled for July 6.

It all seems so surreal. But the more Capuano thinks about it, the more it starts to make sense. She had lost her wallet, holding her driver's license and credit cards, in a McDonald's drive-thru in Tamarac in 2001. Nothing suspicious occurred back then, but in October 2004 a woman identifying herself as being from a lending company called to ask if Capuano had taken out a loan for a property in Miramar. When the woman asked for her Social Security number, Capuano refused and ended the call.

In January, Capuano was trying to refinance a loan on her Ford Expedition. But during a three-week period, her credit rating mysteriously dropped, and the finance company told her it would be better if the refinancing were done by her husband, Matthew.

A couple of months later, Capuano received a bill from Macy's for \$207.34 charged to a store card she said she hadn't used. Macy's agreed and dropped the bill.

After she was served with the lawsuits in April, Capuano checked her credit report and saw a \$283 monthly loan, from Citigroup's CitiFinancial lending arm, that she knew nothing about. At one point she was on the phone for an hour with a CitiFinancial agent in a conversation that seemed a cross between Catch-22 and Who's on First?

The criminal had apparently taken out the loan under Capuano's name. The debt showed up on Capuano's credit report, but the CitiFinancial agent couldn't find a record of it. "They kept saying I didn't have an account there," Capuano said. "They didn't want to help." A Citigroup spokesman said CitiFinancial would look into the case.

Curious to see the homes she supposedly owned, Capuano went to the gated Silvershores community in Miramar where both houses are located. But ironically, the guard said she wasn't on the list of residents or owners allowed to enter. Capuano explained that she needed to see the homes because she was being sued as the alleged owner. The guard was unmoved. So Capuano went to the back entrance and got in by tailgating another car going past an unguarded gate. She photographed the homes and left.

Because police have not investigated Capuano's case, the details of what happened are far from clear. Though she can't be sure, Capuano thinks her lost driver's license has something to do with it.

Capuano has a photocopy of a license, given to her by the title company, that was used in buying the homes. The photo on the license is of a woman who bears no resemblance to Capuano.

Favorable lending terms

The ID theft-mortgage fraud combo "is more prevalent than ever and rises exponentially all the time," said Rachel Dollar, a Santa Rosa, Calif., mortgage attorney who posts cases on www.mortgagefraudblog.com.

The trend toward favorable lending terms for buyers helps fuel fraud. For example, plans that allow buyers to get mortgages without putting down deposits "minimize the amount of money they [criminals] need in their fraud schemes," said Tim Doyle, director of government affairs for the Washington, D.C.-based Mortgage Bankers Association.

Though the FBI thinks that four of every five mortgage fraud cases involve collusion by industry insiders -- such as appraisers giving artificially high values to homes so that they can be sold at inflated prices -- cases involving ID theft are often schemed by the buyer alone, experts say.

ID thieves often target homes that have already been paid off. They steal the owner's identity, obtain a fake quitclaim deed to enable them to transfer ownership and take out a second mortgage. This essentially allows them to receive a check for that second mortgage while distancing themselves from the home itself and the first mortgage.

When ID theft mortgage fraud is discovered, the lender usually must assume the loss and, to make matters worse, could face a lawsuit from the ID theft victim -- whose credit is invariably damaged. The lender can perhaps sue the title company if it thinks the company was negligent. Or it can hope to retrieve the money if the criminals are caught.

"But by then," Dollar said, "they're usually on a beach in Cancun."

Ian Katz can be reached at ikatz@sun-sentinel.com or 954-356-4664.

WHAT YOU CAN DO

Do you think you might be a victim of ID theft or mortgage fraud?

Contact the fraud department at any of the three major credit agencies to place a fraud alert on your credit file. The agencies are Equifax (800-525-6285), Experian (888-397-3742) and Trans Union (800-680-7289). Close any accounts that you think have been tampered with or opened fraudulently.

File a report with the police department where you live, and if possible, where the crime took place.

In ID theft cases, file a complaint with the Federal Trade Commission at www.ftc.gov

For information on mortgage fraud prevention and cases, visit www.mortgagebankers.org/mbafightsfraud and www.mortgagefraudblog.com