



## Fannie Mae Mortgage Fraud Update May 2007

---

The following charts and tables reflect data on loans delivered to Fannie Mae. They are a reflection of Fannie Mae's experience, and do not purport to represent statistics covering the mortgage lending industry as a whole. They are intended to be used for information and benchmarking purposes only.

### Types of Misrepresentation Findings

#### Definitions:

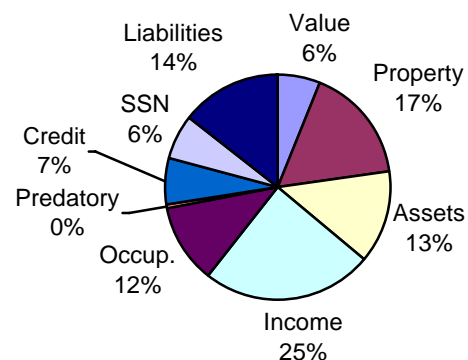
- **Credit** = The borrower's identity and/or credit history was/were misrepresented.
- **SSN** = There is a significant discrepancy in the SSN(s) used to qualify the borrower(s).
- **Liabilities** = The borrower's liabilities were misrepresented.
- **Value** = The property value was inflated and there was non-property-related misrepresentation in the loan transaction.
- **Property** = A specific material fact about the property and/or the comparable sales was misrepresented.
- **Assets** = The borrower's funds information was inflated or fabricated.
- **Income** = The borrower's income/employment information was inflated or fabricated.
- **Occupancy** = The borrower's intent to occupy the subject property was materially misrepresented.
- **Predatory** = The loan was in violation of one or more Fannie Mae predatory rules and there was misrepresentation in other areas of the loan transaction.

### Distribution of Misrepresentation Findings by Type

The following pie chart depicts the distribution of significant misrepresentation findings by type. It reflects findings for loans originated in 2005-2006, as of reviews completed through April 2007.

#### Observations

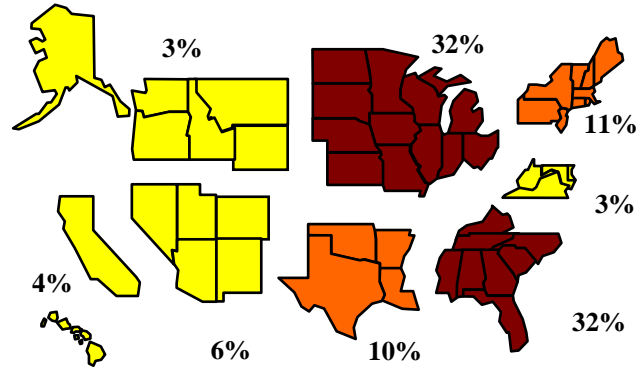
- Income misrepresentation (25%) is the most common single misrepresentation finding.
- Credit-related misrepresentation (Credit, SSN and Liabilities) are the most common group (27%).
- **The top five markets for SSN misrepresentation (by first 3 zip code digits and representative city):**
  1. 554 – Minneapolis, Minnesota
  2. 601 – Elgin, Illinois
  3. 770 – Houston, Texas
  4. 802 – Denver, Colorado
  5. 551 – St. Paul, Minnesota
  - These top five markets represent 35% of the SSN misrepresentation thus far identified on Fannie Mae loans during the 2005-2006 origination timeframe. The specific SSN misrepresentation issues in these markets are distributed as follows: SSN being used by multiple individuals and does not likely belong to the borrower (40%); Social Security Administration (SSA) confirmed the SSN belongs to an individual other than the borrower (37%); SSN is invalid and was never issued by the SSA (7%); SSN issuance date precedes borrower's birth date (6%); and SSN belongs to an individual who is deceased (5%).



## Distribution of Misrepresentation Findings by Geography

### By Region

The following map depicts the distribution of significant misrepresentation findings by geographic region. It depicts all loans with misrepresentation that were originated in 2005-2006, as of reviews completed through April 2007.



### Observations

- The Midwest and Southeast continue to be tied for the largest share of Fannie Mae loans with mortgage fraud findings.
- The Northeast and South Central regions continue to run third and fourth, respectively.
- There has been little change in this distribution over the past six months.

### By State

The following table depicts the top 15 states for Fannie Mae misrepresentation findings, with the top two most common types of misrepresentation findings for each state. It also lists the market in each state that has the highest volume of loans with misrepresentation findings (by first three zip code digits and representative city). The table depicts all loans with misrepresentation that were originated in 2005-2006, as of reviews completed through April 2007.

1. Georgia	Income, Property/Value	300	Decatur
2. Florida	Income, Occupancy	330	Pompano Beach
3. Indiana	Assets, Property/Value	462	Indianapolis
4. Texas	Income, Credit/Liabilities	770	Houston
5. Tennessee	Income, Property/Value	381	Memphis
6. Michigan	Credit/Liabilities, Property/Value	482	Detroit
7. Illinois	Income, Credit/Liabilities	601	Elgin
8. California	Income, Occupancy	921	San Diego
9. New York	Income, Credit/Liabilities	146	Rochester
10. Minnesota	Credit/SSN, Occupancy	554	Minneapolis
11. New Jersey	Income, Credit/Liabilities	071	Newark
12. Missouri	Income, Property/Value	631	St. Louis
13. Pennsylvania	Property/Value, Income	191	Philadelphia
14. Ohio	Property/Value, Credit/Liabilities	432	Columbus
15. Arizona	Occupancy, Credit/Liabilities	850	Phoenix

### Observations

- Seven of the top ten states above were also listed as top ten overall states in MARI's 2006 Annual Report to the MBA. The three states not on MARI's list were Indiana, Texas and Tennessee. The three additional states on MARI's list were Utah, Colorado and Nevada, which currently rank 16<sup>th</sup>, 21<sup>st</sup> and 32<sup>nd</sup>, respectively, for Fannie Mae. (Such differences are expected not only because Fannie Mae's experience is merely a subset of the overall industry, but because MARI's rankings look at each state's fraud volume relative to its origination volume.)
- Tennessee and Indiana are each prominent for Fannie Mae in part as a result of large-scale (100+ loans) fraud-for-profit schemes in Indianapolis and Memphis.

## Law Enforcement News

Below are summaries and links for selected mortgage-fraud-related law enforcement press releases. The information provided below was obtained from the referenced Web sites. The referenced links were active as of April 2007, but may become inactive over time. Fannie Mae does not maintain any of these Web sites.



**San Francisco, CA** – The US Attorney (4/05) announced that **Tony J. Danilo** was sentenced to 108 months in prison in connection with a scheme to defraud homeowners. Danilo had previously admitted to falsely claiming liens on borrowers' properties and using phony documentation to divert funds into his personal accounts. [http://www.usdoj.gov/usao/can/press/2007/2007\\_04\\_05\\_danilo.sentencing.press.html](http://www.usdoj.gov/usao/can/press/2007/2007_04_05_danilo.sentencing.press.html)



**Tallahassee, FL** – The Florida Department of Financial Services (DFFS) (4/4) announced that **Esmeralda Ildefonso, Arturo Ildefonso** and **Melissa Miranda** were arrested after allegedly obtaining mortgage loans using fraudulent HUD-1s, appraisals and other documents. <http://www.fdfs.com/pressoffice/ViewMediaRelease.asp?ID=2616>



**Miami, FL** – The US Attorney (4/16) announced that a jury found **Ishmael Grant** guilty of charges related to a \$10 million mortgage fraud scam. The US Attorney said Grant was the eighth defendant to be convicted in the case, which involved false documentation, straw buyers & stolen identities. <http://www.usdoj.gov/usao/fls/PressReleases/070416-01.html>



**Atlanta, GA** – The US Attorney (4/10) announced that **Matthew Bevan Cox** pleaded guilty to charges of mortgage fraud, identity theft, and other charges. According to the US Attorney, Cox fraudulently erased mortgage loans and assumed the names of the owners, used stolen identity and/or used straw buyers to obtain mortgage loans. <http://www.usdoj.gov/usao/gan/press/2007/04-10-07.pdf>



**Boston, MA** – The US Attorney (4/13) announced that **Andre J. Lamerique, Carmella F. Lessegue** and **Judy A. Bonas** were arrested having allegedly used a stolen identification to close a mortgage transaction. The US Attorney said that Lamerique constructed a fictitious sale of a home, Bonas used a stolen identification to pose as the seller, and Lessegue used a stolen identification to pose as the buyer. <http://www.usdoj.gov/usao/ma/Press%20Office%20-%20Press%20Release%20Files/Apr2007/Lamerique-Andre-complaint.html>



**Boston, MA** – The Massachusetts Attorney General (4/17) obtained a preliminary injunction against salesperson **Leo Desire, Sr.**, mortgage broker **Primary Mortgage Resource, Inc.**, closing attorney **Valeria Hanserd**, buyers **Louis R. Joseph, Pierre N. Joseph, Daphne Mompont, Robens Joseph, Paul A. Joseph, Jean Joseph, Advie Charles, Neville Francis Marie, & Betey Mereus**, and three others on charges that they conspired to perpetrate a fraudulent foreclosure rescue scheme that involved false promises, equity stripping, inflated appraisals, and false fees for fictitious services. <http://www.ago.state.ma.us/sp.cfm?pageid=986&id=1855>



**Salem, OR** – The Oregon Department of Consumer & Business Services (4/17) announced that **Local Point Financial** was ordered to cease and desist after offering to provide mortgage loans to consumers via unsolicited fax transmissions. **Clayborn Collins** was also issued a cease and desist order after it was found that he was not a licensed loan originator, the Department said. [http://www.cbs.state.or.us/dfcs/news\\_releases/collins\\_local\\_point.pdf](http://www.cbs.state.or.us/dfcs/news_releases/collins_local_point.pdf)



**Sandy, UT** – The Utah Attorney General (4/17) announced that **Daniel D. Debenham** (owner of **The Millionaires Investment Group** or **TMIG**) was sentenced to probation and restitution of \$314,825 on charges that he took investment funds he collected for the purpose of purchasing, remodeling and reselling homes and used them for personal and TMIG operational expenses. The Attorney General said Debenham must report to prison if full restitution is not made within 18 months. <http://attorneygeneral.utah.gov/PrRel/prapril172007.htm>