

C/M/S/ Cameron McKenna

# Mortgage fraud – underwriting and coverage issues

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## Scope of presentation

- ▶ What sorts of fraud are out there?
- ▶ How can underwriters try and avoid, or mitigate, those risks?
- ▶ Some key policy issues
- ▶ Aggregation

## Solicitors – typical examples of fraud

- ▶ nothing has changed
  - “back to back” transactions
  - property not acquired by borrower
  - changes in purchase price
  - long leases between connected persons
  - undisclosed incentives/discounts
  - see Law Society Property Fraud Warning
- ▶ use of “sham” partnerships

## Surveyors -was the valuation fraudulent?

Each case will depend upon its own facts but the following factors are likely to be relevant:

- ▶ the extent of any overvaluation
- ▶ where the valuation very substantially exceeds the price recently paid for the property (particularly where this is known to the valuer)
- ▶ whether any lies or misleading statements can be demonstrated
- ▶ evidence of secret commissions or benefits
- ▶ motive
- ▶ the absence of any evidence on the file of usual enquiries and checks

## Surveyors -was the valuation fraudulent? cont.

- ▶ disregard of comparables if this can be shown to be conscious and deliberate
- ▶ fictitious leases and inflated rentals
- ▶ inconsistent valuations of the same property
- ▶ whether any borrower or mortgage intermediary has criminal associations
- ▶ a repeated pattern of overvaluation which may evidence the existence of a fraudulent scheme
- ▶ any evidence of a web of connected persons engaged in a series of mortgage frauds

Looking at the totality of the evidence, can the valuer offer any plausible explanation which is consistent with honest valuations?

## Mortgage intermediaries and accountants

- ▶ intermediaries
  - false applications
  - may co-ordinate/facilitate a series of transactions
  - is there a discernible pattern of suspect transactions?
- ▶ accountants
  - false references