Matt Blunt
Governor
State of Missouri

Department of Insurance
Financial Institutions
and Professional Registration
Douglas M. Ommen, Director

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Contact: Emily Kampeter
Phone: (573) 526-4845

Director Ommen calls for special mortgage fraud task force

Task force supports legislation that makes participation in such fraud a criminal act

JEFFERSON CITY, MO – Director Doug Ommen today formally announced the formation of a department mortgage fraud task force.

The task force, led by Richard Weaver, deputy director for the Division of Finance, consists of personnel from the Insurance Consumer Affairs Division, the Real Estate Commission and the Real Estate Appraisers Commission.

“Mortgage fraud affects lenders, mortgage brokers, realtors, appraisers and, most important, consumers,” said Doug Ommen, director of the Missouri Department of Insurance, Financial Institutions & Professional Registration. “I have asked this task force to look at this issue from all sides to come up with common-sense solutions to prevent consumers from being stripped of their equity or facing foreclosure.”

The committee is reviewing ways to educate lenders, brokers, realtors, appraisers and consumers to recognize mortgage fraud and hold wrongdoers accountable. They are also reviewing a bill in the Missouri Senate that would criminalize the act of participating in mortgage fraud.

“Currently, Missouri is ranked sixth in the nation for the number of mortgage fraud cases,” said Sen. Charles Shields, R-St. Joseph, sponsor of the bill. “This is totally unacceptable and we must create strict penalties to prevent this unlawful behavior.” Shields is the sponsor of legislation that would make mortgage fraud a specific crime.

Mortgage fraud may be aimed at unsuspecting consumers. A common scheme often involves a speculator who, with the aid of an unethical appraiser and realtor, makes a series of false sales transactions to inflate the price of a home. The unsuspecting consumer ends up paying far more for the property than what it is worth, and the lender may ultimately take a loss in the event of foreclosure.

Sometimes, the consumer or purchaser may be involved in the fraud. Consumers may want a home badly enough that they are willing falsify their income and expense figures on the loan application to mislead the lender.”

“It is especially troubling that some persons – even consumers, believe that falsifying documentation in a real estate sale or financing is an acceptable practice,” Weaver said.

Another common scheme involves both a seller and a buyer. In these cases, a seller or realtor may suggest that the seller carry back a “dummy” second deed of trust agreeing to destroy it after closing. The sales price is artificially increased by the amount of the second deed of trust, which appears to be a down payment. The deal closes and, as agreed, the seller throws away the second deed while the lender has been tricked into lending 100% or more of the actual purchase price of the property.

“Educating consumers and real estate professionals combined with strict criminal sanctions may provide the change needed to protect consumers and to assure Missouri citizens access to honest and affordable real estate and mortgage markets,” Ommen said.

About the Missouri Department of Insurance, Financial Institutions & Professional Registration

The Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) is responsible for consumer protection through the regulation of financial industries and professionals. The department’s seven divisions work to maintain consumer confidence by examining and monitoring industries and professions and by establishing coherent and evolving policies. DIFP works to enforce state regulations both efficiently and effectively while encouraging a competitive environment for industries and professions to ensure consumers have access to quality products.