

# Do Banks or the Taxpayers Finance Mortgage Fraud?

By Heinz Dinter, PhD

**It looks like a duck and quacks like a duck.  
Is it mortgage fraud?**

*The loot comes to a hefty \$700,000-plus at the closing table in 2008 — not bad for less than a day's work shuffling papers and signing wherever the spot is marked with an x. You will learn from two real-life Miami real estate deals passing through the same hands to ask the intriguing question: Is it mortgage fraud? Banking institutions with an experienced professional staff and Uncle Sam fall for it every day ... and innocent parties caught in the middle are driven to suicide.*



Aren't the facts presented here the ingredients for a typical mortgage fraud financed by a major bank and — federally insured by Fannie Mae and Freddie Mac (taken over by the government 18 months ago and bailed out by the government having spent so far \$126 billion) — paid for by you and me (taxpayers)? How many dollars (billions?) are taken from millions of Americans by the government and then flow into the pockets of a few (mortgage fraudsters and their helpers)?

## **Why and How are Fannie Mae and Freddie Mac Involved?**

Fannie Mae and Freddie Mac are “government-sponsored enterprises” (GSEs). This means that they are privately owned, but receive support from the Federal Government, and assume some public responsibilities.

The GSEs provide a secondary market in home mortgages, purchasing mortgages from the lenders who originate them. They hold some of these mortgages, and some are “securitized” — sold in the form of securities which the GSE's guarantee.

The two GSEs today are among the largest corporations in the world.

**What mortgages do the GSEs purchase?** “Conforming mortgages” as they are called consist of all home mortgages that meet the underwriting requirements of the agencies, and are no larger than the largest loan the GSEs are allowed by law to purchase. In 2003 the maximum was \$322,700. It is raised every year in line with increases in home prices. The mortgages the GSEs can purchase account for roughly 80% of the conventional (non-FHA/VA) home loan market.

**What kind of support do the GSEs receive from the Government?** The major support consists of the credit lines with the US Treasury. This, along with their histories — both were public institutions before they became privately owned — mark them as having a special claim for Government assistance in the event they ever get into financial trouble. As a result, investors consider the notes they issue and the mortgage securities they guarantee almost as good as securities issued by the Federal Government itself.

**Do the GSEs have competitors?** Not in the conforming loan market. Because of their Government backing, the GSEs can sell notes and securities at a lower yield than any strictly private secondary market firm. This gives them a monopoly — or rather a duopoly, since there are two of them — in the market in which they operate.

The GSEs do have emulators, however, in the non-conforming market. While the cast of players changes, at any one time there are usually 15 or more strictly private firms that purchase non-conforming loans and securitize them in much the same way as the GSEs.

**Why do two private firms receive Government support, while the others don't?** The Government did not select the two firms for special treatment. Both the GSEs began as Government entities, and the major objective in privatizing them (while retaining Government support) was to encourage development of a private secondary market. The other firms arose later, based on the GSE model, so that objective was achieved.

**If the objective was achieved, why do the GSEs continue to receive special support?** The GSEs are unwilling to give it up, and they have become so powerful politically that they have managed to thwart the several attempts that have been made to take it away.

**Do you have anything at stake in this issue?** If you are a potential borrower eligible for a conforming loan, your interest rate will probably be about  $\frac{1}{4}\%$  lower than it would be absent the GSEs. This reflects their relatively low funding costs, part of which is passed through to borrowers.

In addition, if you are a low or low-to-moderate income borrower, and/or reside in an underserved area, you might find a loan through a GSE. As part of their public responsibility, the GSEs commit to purchase specified numbers of such loans. How many would not be made without the GSEs, however, is not clear.

As a taxpayer, on the other hand, you have a cause for concern. The low borrowing costs of the GSEs is based on implicit Government backing for their \$3-plus trillion of debt and guarantees. If the GSEs ever have a financial disaster, the Government will have to bail them out and you and I will be on the hook for the cost.

**Is anybody regulating the GSEs to prevent such a disaster?** A few years ago Congress gave that responsibility to the Department of Housing and Urban Development (HUD). Very few informed observers believe that HUD is up to the task.

**Can the risk of a financial disaster be eliminated by removing Government support without hurting investors?** It could be done by (a) revoking the credit line the GSEs now have with the Treasury, and (b) providing an explicit Federal guarantee of all debt and GSE guarantees outstanding on the date the credit line is revoked. An explicit guarantee on the old claims would prevent any repercussions in the financial markets, yet put the markets on notice that new ones are not guaranteed. Over time, the volume of guaranteed claims would gradually decline. Source: What Do Fannie Mae and Freddie Mac Do? BY Jack Guttentag, Professor of Finance Emeritus, Wharton School of Finance of the University of Pennsylvania, [www.mtgprofessor.com](http://www.mtgprofessor.com)

## **Let the Facts Speak for Themselves**

What would you do if you had just a year earlier put down \$98,000 as down payment on a residential property, used a mortgage loan of \$392,000 to honor the seller's price of \$490,000, and the court hearing on the plaintiff bank's motion for summary final judgment of foreclosure was held on January 6, 2010 in the foreclosure lawsuit but the defendant owner did not appear?

The owner of the property made no effort whatsoever to muster a defense to protect the \$98,000 down payment investment of a year earlier. With respect to the monthly mortgage payments to be made to the bank, no great sums were at risk because the owner made less than a handful of payments since purchasing the property in September 2008.

The seller, who was paid a total of \$887,000 for two residential properties in 2008 with a combined assessed value of \$380,000, justified the profit made in a year of major economic downturn and real estate collapse with the following argument: "I earned the profit because I worked very hard for five years since I bought the properties." No explanation was given why the two properties are in very poor condition and no sign is visible of any improvements having been made in more than five years.

"Nothing is wrong in making a profit; this is America," stated the seller, who introduced himself as buyer and seller of real estate, and who is among the very few in 2008 who were able to find a legitimate buyer willing to pay far above assessed and market values. Asked to confirm the facts when given a copy of the article for review, the seller concluded, "I consider the article defamatory and completely presumptuous," and informed the investigative reporter that his attorney would contact the author of the article. No contact has taken place and not a single sentence was identified as being false.

## **Of the Loot and the Loss — an Overview**

- Did mortgage fraud conspirators scam the lender (in a federally-insured mortgage loan the taxpayers are the ultimate victims) out of \$738,600 — the balance due amount plus legal fee & costs?
- The net take is \$486,000 — the balance due amount of \$736,000 less the purchase amount of the two properties in 2003 of \$125,000 each.
- The lender is holding the bag in the amount of \$738,600 and can be proud of two more dilapidated homes in its portfolio.

## **Who Are the Possible Mortgage Fraud Conspirators?**

Each of the following need to be investigated:

- The seller who may have pocketed the majority of the money handed over by the bank.
- The buyer who loses standing and the property, but may have gained a share of the loot. Is the buyer able to prove if "real" money (\$98,000) constituted the down payment?
- The brain or go-between gofer
- The mortgage broker
- The real estate broker
- The appraiser
- The title company

- The notary
- The lending company failed to adhere to due diligence.
- The lending company's officer/employee handling the loan.

### **Residential Property #1**

1. Owner Profile:

In the foreclosure action, the owner was “non-served” and she did not initiate any defense action, though she knew of the foreclosure lawsuit.

The owner does not live on the property. The residence address of the owner given on the deed and mortgage is a moderate apartment elsewhere in Miami.

Reportedly, the owner did not visit the property before the foreclosure action was filed and the owner learned of the foreclosure — not even a visit and inspection before the purchase.

2. An observation of interest: Two additional similar profiles have been observed in the neighborhood. One property is next to the subject property (see property #2) and the second property is across the street, unoccupied, and boarded up.

3. The disabled tenant of property #1, who filed an answer to the property #1 foreclosure action, is overseeing minor “maintenance” tasks at properties #1 and #2.

4. Reportedly, the tenant pays the rent to the owner of property #1 beginning in October 2009. Prior to October, a mystery man called “**Ramon**” collected the rent. Could his name be **Ramon Hernandez**?

5. The mortgage broker: **Amerilend Mortgage Company**

12-03-2007: Incorporated as First National Mortgage Group, Inc., a Florida profit corporation. The company has one officer who is also the registered agent: **Jose Rivero**.

01-31-2008: The corporation changed its name. The name change amendment was filed by Jose Rivero of America's Choice Mortgage Group, Inc. (not registered in Florida).

08-21-2008: The corporation filed its 2008 annual report with the Secretary of State.

President Jose Rivero, in a telephone conversation in February 2010 denied knowing anything of the mortgage transactions. It could have been handled by any one of my company's mortgage brokers he said. “We have over a hundred employees” he proudly proclaimed and denied being a so-called one-man show.

#### **Life is Precious**

... and innocent people caught in the middle choose suicide.

The news has turned tragic: The disabled tenant, who called the foreclosed property home for more than 10 years, attempted suicide in the morning of New Year's Eve 2009.

The circumstances surrounding his home's future have simply been too much for him. It certainly is a traumatic event facing the loss of one's home of ten years, especially when it is a cold and cruel reality at the age of 66.

As you can see, an uncontested foreclosure not only affects the lender in a very significant way, though only materially, human life is pushed to the brink of the abyss.

Let us hope this sexagenarian victim will recover and the circumstances surrounding the foreclosure remain an economic matter of misfortune or bliss.

6. The mystery man, who identified himself only by his first name, “Ramon,” and drives a luxury car, took photographs of the property prior to the sale in September 2008, identified himself to the tenant as the new owner, collected the rents for both properties, and repeatedly spoke of making major repairs and improvements to the properties.
7. Is “Ramon” the mastermind or just a gofer?
8. The identities of the parties, including more transaction details, are available and need to be investigated by those with a need to know.

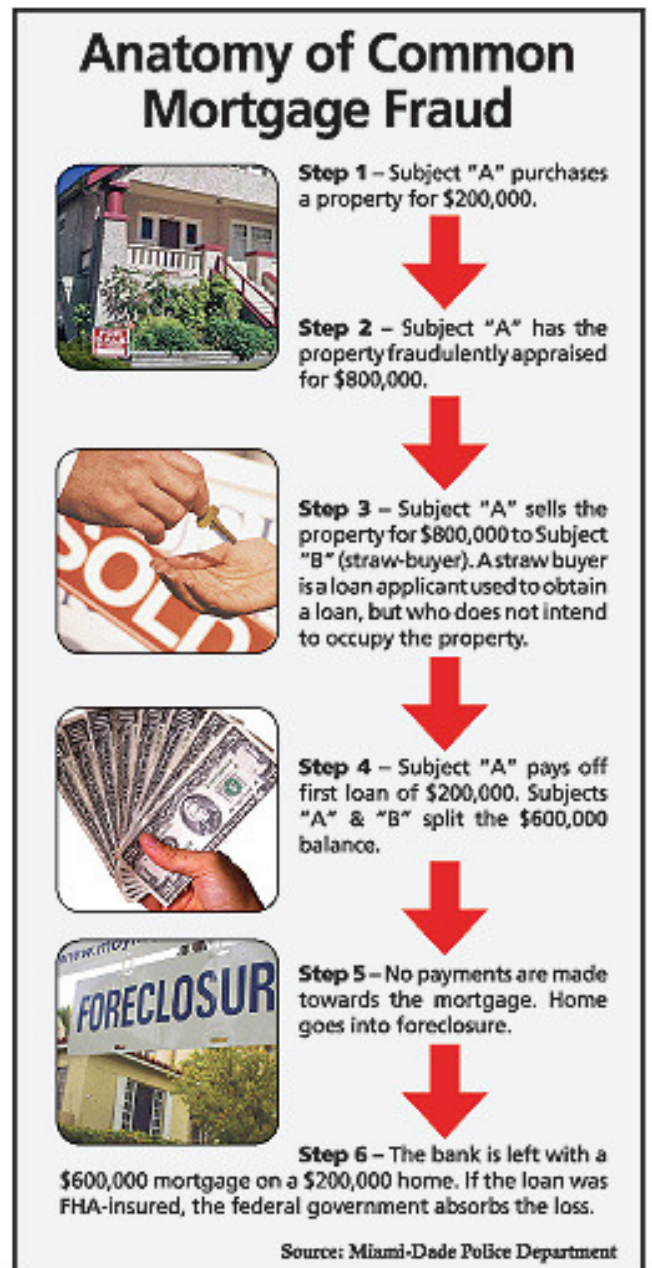
**Residential Property #2**  
(located directly adjacent to #1)

1. Owner Profile:  
In the foreclosure action, the owner was “no-service” and did not initiate any defense. The husband-wife owners do not live on the property. The address given in the public property records is a moderate single family home elsewhere in Miami. Reportedly, the owners have not visited the property before the foreclosure action was filed and the owners learned of the foreclosure action.
2. The tenant of property #1 collected the rent from a tenant of property #2 and paid the rents of the two properties to the mystery man “Ramon” who only identified himself by his first name and allegedly is a close relative of property #1’s owner.

At least twice, I requested verification of facts from the seller and buyers, and Jose Rivero of Amerilend Mortgage Company:

*“Please review the information and, if any statements therein are contrary to the truth, identify such **specific** statements and bring them to my attention forthwith; otherwise, we consider all statements to be confirmed by you as being true and correct.”*

None of the statements published were identified as being contrary to the truth.



## **The Plaintiff — Chase Home Finance LLC**

The plaintiff in both foreclosure lawsuits, properties #1 and #2, is **Chase Home Finance LLC** of Iselin, NJ, a subsidiary of JPMorgan Chase & Co.

The law firm **Ben-Ezra & Katz, P.A.** of Fort Lauderdale, FL, handling both foreclosure actions, has not responded to a request for comments, contact name/address of a Chase official, and the law firm's cooperation in making the facts of the matter available to the FBI and the Miami-Dade Mortgage Fraud Task Force.

Chase Home Finance is one of the world's largest providers of mortgages and home equity loans. Chase Home Finance is part of the JPMorgan Chase global investment and commercial bank. JPMorgan Chase is one of the leading organizations in its industry. Chase's history can be traced back to 1799. Chase's history and experience provides the customer with experience and stability that few others can compare to.

As the company is part of the JPMorgan Chase family of businesses, Chase Home Finance has the ability to provide additional value added services to its customers. In addition to its home finance line, they are also the largest originator of auto loans in the United States. They provide both personal and commercial banking services as well as individual investment services. This diversity in services provides a high quality one stop shop for customers to meet their financial services needs.

Chase Home Finance has products that meet a broad range of customer needs including 15 and 30 year fixed loans as well as ARMs. Chase works with customer's in a wide range of financial need. Their experience and resources will provide the customer with the best possible experience in the process of obtaining a mortgage for their dream home.



Jamie Dimon, chairman and chief executive officer of JPMorgan Chase & Co. and one of America's most powerful and outspoken bankers, assured America in January 2010 — in the midst of our economic turmoil and real estate quandary — “We're making loans, we're hiring people, we're doing what you're supposed to do as a bank,” as reported in The Miami Herald.

The New York Times reported on JPMorgan Chase's 2009 earnings in January: “In a remarkable rebound from the depths of the financial crisis, JPMorgan earned \$11.7 billion last year.” In addition, the article stressed, “Moreover, JPMorgan appears [to] have taken advantage of the financial crisis to expand its consumer lending business.”

Would such successful a banking enterprise not be able to set a formidable example in turning off the spigot that guides ill-gotten money from bank customers, bank stockholders, and taxpayers into the pockets of fraudsters?

## **The Author**

Heinz Dinter's curriculum vitae is available at [www.GrandLifestyle.com/introduce.htm](http://www.GrandLifestyle.com/introduce.htm).

The birth of Cyber Scam Alert is described at [www.CyberScamAlert.com/birth.htm](http://www.CyberScamAlert.com/birth.htm).

Dr. Dinter's investigative reporting includes a mortgage fraud case before The Honorable Joan A. Lenard which resulted in a Judgment in a Criminal Case in the United States District Court, Southern District of Florida, including an \$800,000 fine payable to the United States.

*When money is unreasonably coveted,  
it is a disease of the mind which is called avarice.*

*Cicero (106 BC–43 BC)*

*Roman author, orator and politician*



**The Facts Gleaned from the Public Record**

	Resident. Property #1		Resident. Property #2		Properties #1 + #2	
Address	Miami, FL		Miami, FL			
Single-Family	2/1 br/ba, now 3/1		1/1 br/ba			
Adj. Sq. Footage	1,200		644		1,844	
Year Built	1928		1928			
Condition	Poor; lack of maintenance and upkeep		Very Poor; extreme lack of maintenance and upkeep; property is not inhabitable			
Lot Size	5,000 sq.ft.		5,000 sq.ft.		10,000 sq.ft.	
Assessment Info.	2009	2008	2009	2008	2009	2008
Land Value	\$175,000	\$162,000	\$175,000	\$162,000	\$350,000	\$324,000
Building Value	\$88,000	\$10,000	\$49,000	\$10,000	\$137,000	\$20,000
Market Value	\$263,000	\$173,000	\$224,000	\$172,000	\$487,000	\$345,000
Assessed Value	\$190,000	\$173,000	\$190,000	172,000	\$380,000	45,000
Name of Seller	Withheld		Withheld			
Name of Buyer	Withheld		Withheld			
<b>Money Flow:</b>						
Prev Sale Date	September 2003		September 2003			
Prev Sale Amount	\$125,000		\$125,000		\$250,000	
Last Sale Date	September 2008		December 2008			
Sale Amount	\$490,000		\$397,000		\$887,000	
Down Pmt (20%)	\$98,000		\$79,400		\$177,400	
First Mortgage	\$392,000		\$317,600		\$709,600	
Balance Due	\$410,000		\$326,000		\$736,000	
Legal Fee & Costs	\$1,300		\$1,300 (estimated)		\$2,600	
Foreclosure Filed	September 2009 09-66805 CA 06		September 2009 09-67908 CA 02			
Final Jdgmnt Hear	January 6, 2010		March 31, 2010			

The truth lies buried in the facts. Who will bring truth to light and garner justice?

***Fraud and falsehood only dread examination. Truth invites it.  
Samuel Johnson (1709–1784), English Author***

## MORTGAGE FRAUD IS INVESTIGATED BY THE FBI



Mortgage Fraud is investigated by the Federal Bureau of Investigation and is punishable by up to 30 years in federal prison or \$1,000,000 fine, or both. It is illegal for a person to make any false statement regarding income, assets, debt, or matters of identification, or to willfully overvalue any land or property, in a loan and credit application for the purpose of influencing in any way the action of a financial institution.

*Some of the applicable Federal criminal statutes which may be charged in connection with Mortgage Fraud include:*

- 18 U.S.C. § 1001 - Statements or entries generally
- 18 U.S.C. § 1010 - HUD and Federal Housing Administration Transactions
- 18 U.S.C. § 1014 - Loan and credit applications generally
- 18 U.S.C. § 1028 - Fraud and related activity in connection with identification documents
- 18 U.S.C. § 1341 - Frauds and swindles by Mail
- 18 U.S.C. § 1342 - Fictitious name or address
- 18 U.S.C. § 1343 - Fraud by wire
- 18 U.S.C. § 1344 - Bank Fraud
- 42 U.S.C. § 408(a) - False Social Security Number

Unauthorized use of the FBI seal, name, and initials is subject to prosecution under Sections 701, 709, and 712 of Title 18 of the United States Code. This advisement may not be changed or altered without the specific written consent of the Federal Bureau of Investigation, and is not an endorsement of any product or service.

Federal Bureau of Investigation  
16320 NW 2nd Avenue, Mimi, FL 33169  
305-944-9101, 305-787-6538 (Fax)  
Miami@ic.fbi.gov