

Mortgage regulators issue warning on phony credit verifications

Nevada's state Mortgage Lending Division (MLD) in coordination with the federal regulators on the Nevada Mortgage Fraud Initiative Task Force — including MLD, FBI, Internal Revenue Service, and Housing and Urban Development — has issued an alert to consumers and the real estate and mortgage industries regarding fraudulent and deceptive verifications of assets and employment for credit.

Last month, MLD began receiving information from mortgage brokers and lenders that had been contacted by a company that provides employment verifications and asset rentals for a fee. The service allows a person or company to “rent assets that can be verified” to increase the success of obtaining credit that would otherwise be denied, if the applicant did not meet the requirements to qualify for credit.

The company offers to set up a bank account or brokerage account in the applicant's name, so

credit companies can verify ownership of those accounts. The money or other assets are rented via a sub account of the company's master account at 5 percent of the value of the assets.

Applicants are told that they can't otherwise use or draw on the funds or assets.

The company's Web site claims that this service will “instantly increase your financial integrity, increase your balance sheet values and an account will be established showing that the assets are in your name or your company's name and written verifications will be provided to creditors, vendors or lenders.” This company also claims that the purchaser of these services “does not need to provide personal guarantees, does not have to have previous credit or any banking relationships and if you purchase these services, your verifications can be provided immediately.”

Mortgage Lending Commissioner Scott Bice cautions consumers to not fall prey to companies claiming to provide these services for a fee. Consumers, brokers and lenders that complete, submit or participate in the completion and submission of an application for credit that contains misrepresentations or false information are subject to administrative action and potential criminal penalties by the state.

Additionally, any broker or lender encouraging or accepting verifications of employment or assets from this or similar services could also be subject to administrative action for failure to have quality controls in place or failure to follow established quality control procedures.

Bice adds, “Brokers and lenders that do not have safeguards and internal quality controls to ensure the accuracy of a loan application expose the industry to fraudulent activity, and the division will take administrative action.”

The IRS issued a statement that mortgage fraud falls within the scope of IRS Criminal Investigation because it is a financial crime. Individuals in the real estate and mortgage industries who commit mortgage fraud may be prosecuted on charges ranging from tax evasion to money laundering. IRS Criminal Investigation is committed to investigating mortgage fraud because this crime adds to the underground economy that erodes the integrity of the tax system and threatens the financial health of communities.

For more information or to verify mortgage and escrow companies or individuals licensed to do business in Nevada, log on to www.mld.nv.gov.

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