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FAMILY MEMBERS USING LUMP SUMS FOR FRAUD? (Headline ours)

Under duress, even family members may be driven to steal from a senior relative who is receiving reverse mortgage proceeds. “There’s a lot of family fraud” in the reverse mortgage business, says Charles Martinez, a HUD field supervisor for quality assurance.

And, the problem may go unnoticed in some cases for some time, according to Barry McLaughlin, special agent in charge of the Midwest Region of HUD’s Office of Inspector General. “In many cases, when fraud occurs, it could be a year or two down the line before we actually know there’s a problem.” McLaughlin says HUD is weighing moves that could prevent family fraud from occurring in the future.

“Right now our audit division is looking at a proposal where they may review all the cases where somebody took immediate lump-sum dispersals on a HECM,” says McLaughlin, “because that could be an indication of fraud.”

Meanwhile, Mary Dee Lemaire, vice-president, prime and government policy, Wells Fargo Home Mortgage, reports that the company is likely to set up a new plan to ensure “face-to-face meetings with senior customers,” a necessary step toward warding off “an increase of [fraudulent] incidents.” The increase stems from the fact that “the reverse mortgage has cash-out dispersals,” Lemaire notes, adding: “Identity theft involves relatives in financial stress using reverse mortgages” as a way to [illicitly] get some money.

Perhaps surprisingly, HUD’s Martinez notes that family members not involved in the fraud may be unconcerned. He cites a case, referred to the Illinois Attorney General’s office for investigation, involving two elderly sisters who lived in a “dilapidated” house owned by one of the sisters whose daughter inherited the house when her mother died. “The daughter deeded the house to her aunt who she then convinced to obtain a reverse mortgage. The niece used [the proceeds] to pay off her student loans, fix up her own house and buy a couple cars,” according to Martinez. The fraud was discovered by a HUD monitor who then informed the aunt’s son. “But, he doesn’t want to do anything about it,” Martinez says, adding: “That’s the kind of thing that’s happening out there.”

Written by [Neil Morse](#)