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SUITABILITY UNDERWRITING IS ON ITS WAY! (Headline ours)

The Federal Housing Administration (FHA) is planning to require financial assessments of all HECM borrowers to ensure that they have sufficient capital to pay taxes and insurance on their homes, according to Vicky Bott, deputy assistant secretary for single family housing at the housing agency. She spoke to RMD briefly after completing remarks last week at a Midwest conference on fraud issues, where industry professionals examined a wide-range of scams rippling through the troubled housing market today.

Many of these dodges involve insiders, according to Robert Garrett, executive vice-president, First Tennessee Mortgage Warehousing Group, who said boldly: “Every fraud that I’ve ever been involved in [has involved] a closing agent – a title company, title insurer [or] closing attorney [was] involved. You see some fraud on the back-end,” he noted, “but not as much anymore.”

Seniors are caught up in this trafficking as well. Conference speaker Barry McLaughlin, special agent in charge of the Midwest Region of HUD’s Office of Inspector General, reported that some elderly homeless persons, responding to promises of housing, are being used as straw buyers for homes that then have inflated values milked by the use of FHA’s reverse mortgage program.

McLaughlin said the fraudsters “would find somebody that’s homeless or nearly homeless and talk them into moving into a property. Once they were in the property a couple weeks then they would put them into a HECM loan with an inflated appraisal. Once the reverse mortgage loan went through, they would take a lump sum distribution and then take the cash and run.”

He said: “We’re starting to see the trend wherever property values are such that they can get a home for as little as \$25,000.” In one Detroit case, now under investigation, fraudsters purchased a home for \$25,000, moved in a homeless man, got a \$150,000 HECM loan and took all the money in one lump sum,” McLaughlin said. A counselor later brought the case to HUD’s attention.

Written by [Neil Morse](#)