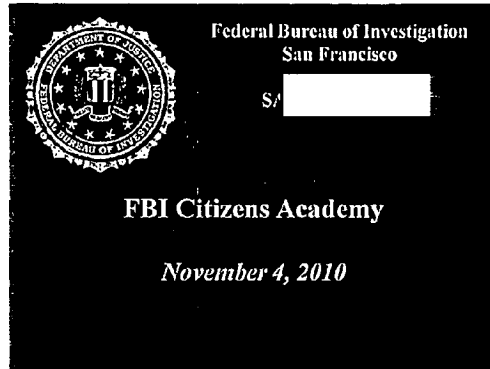
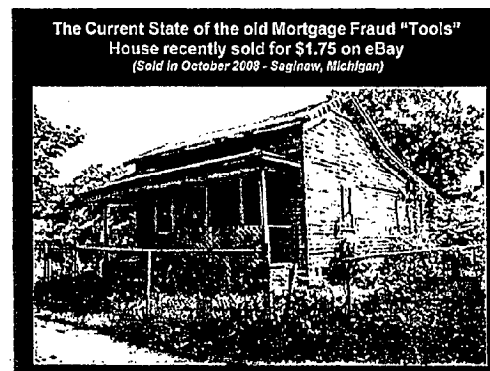
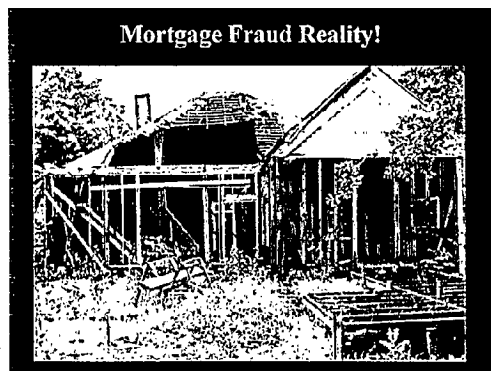




b6
b7C

Mortgage Fraud

- "Retail Mortgage Fraud"
 - Loan Origination Fraud
 - Short Sale Fraud
 - Foreclosure Rescue Fraud
 - Builder Bailout Fraud
 - Anything else you can (or can't) think of fraud...



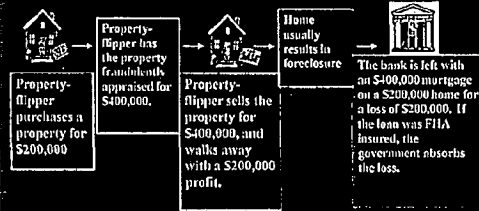
Mortgage fraud is committed
for one of two reasons

- To obtain a property
- To gain a profit



Most Common Type of Mortgage Fraud Across The United States

The classic property "flip."



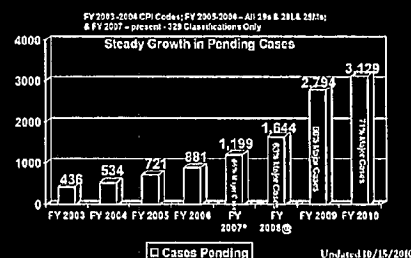
Most Common Type of Fraud in the Bay Area

- Fraud for Profit/Commissions
 - Mortgage Brokers
 - Loan Officers
 - Real Estate Agents
 - Anyone who makes a cut of the commission when a transaction closes.
- Orchestrated by Real Estate Professionals

SARS in General

- Suspicious Activity Reports
 - Tens of Thousands of SARS
 - Billions of Dollars in Estimated Losses
- Important Tool for FBI
 - Direct Resources
 - Assist With Ongoing Cases
 - Track Trends

Pending Mortgage Fraud Cases Fiscal Years 2003 to 2010

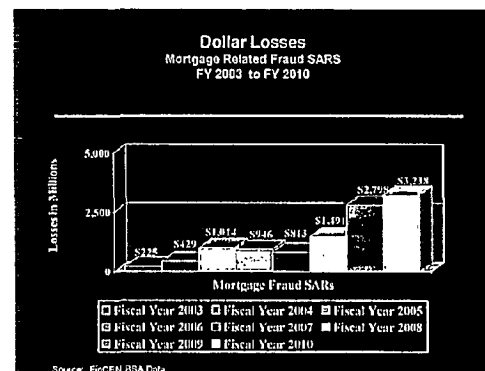
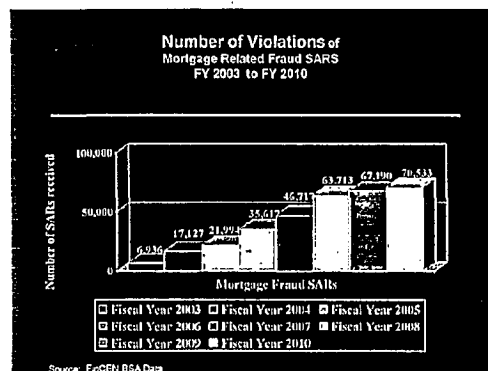
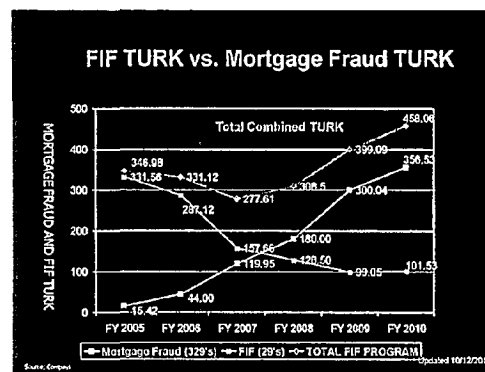
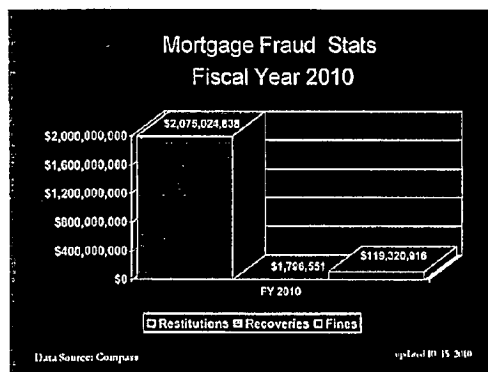
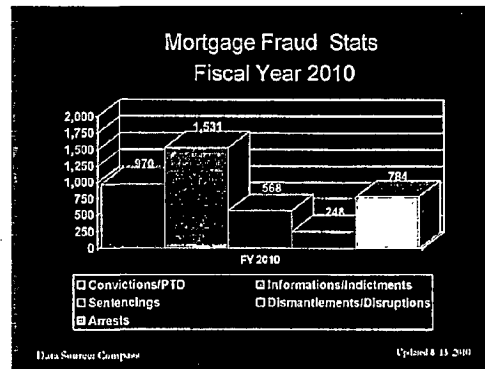
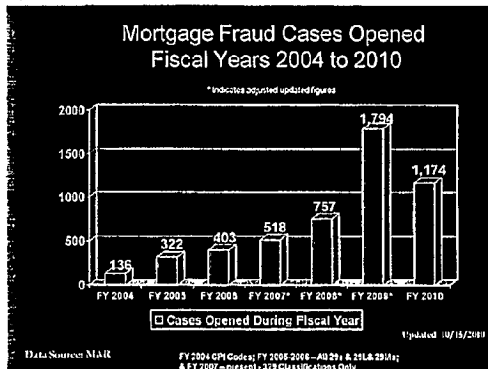


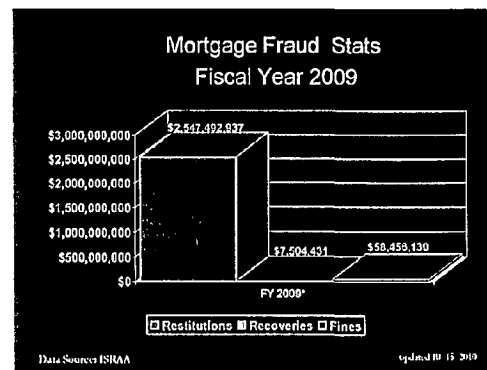
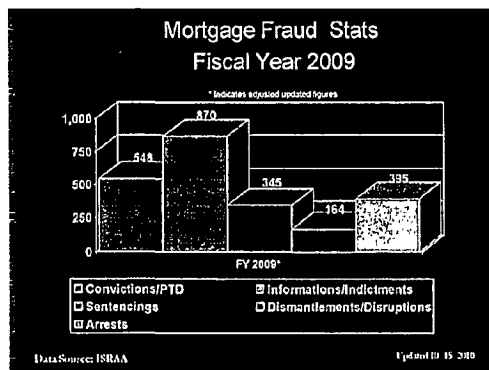
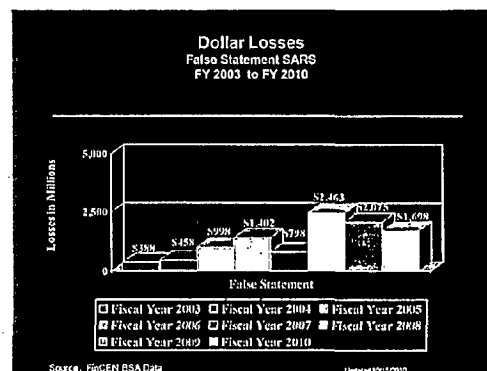
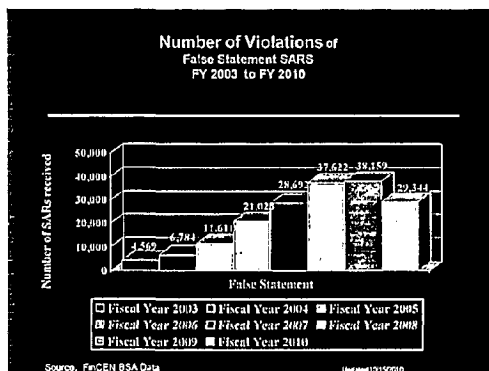
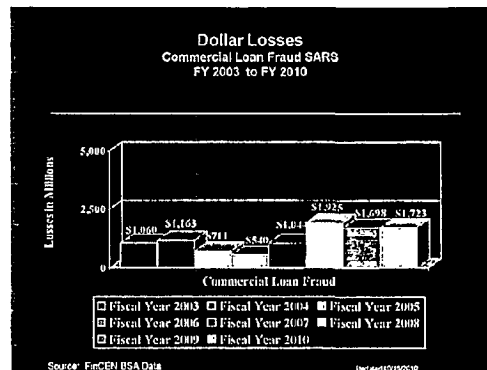
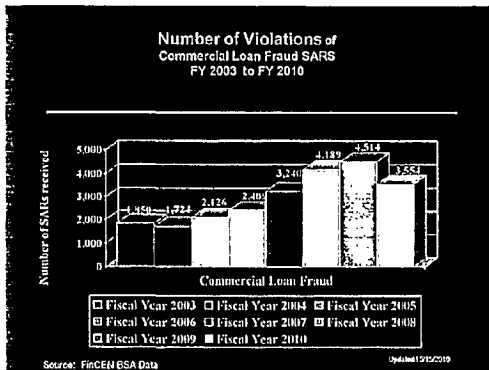
Data Source: Compuser & MAR

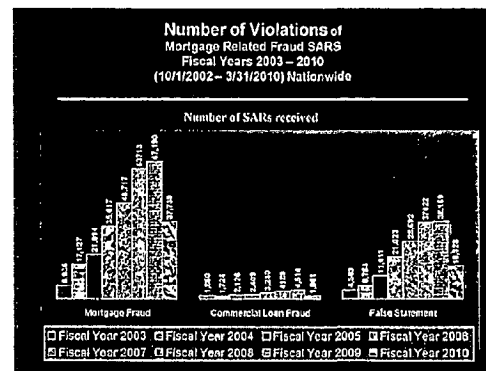
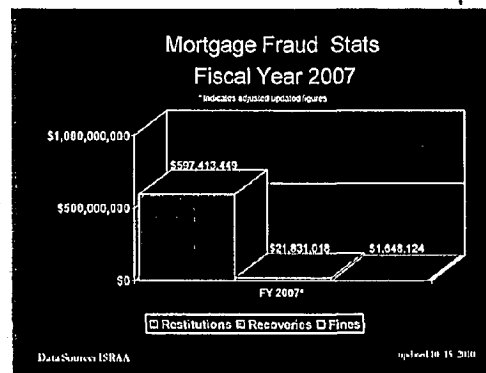
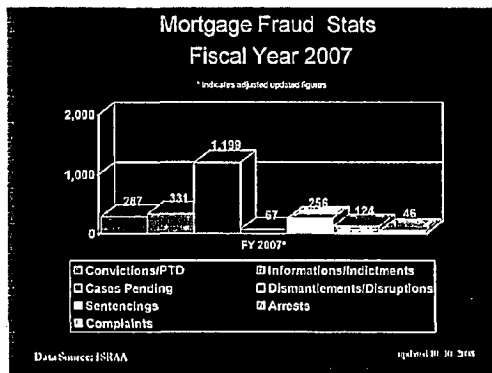
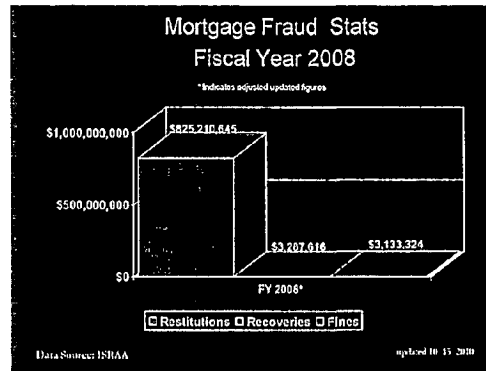
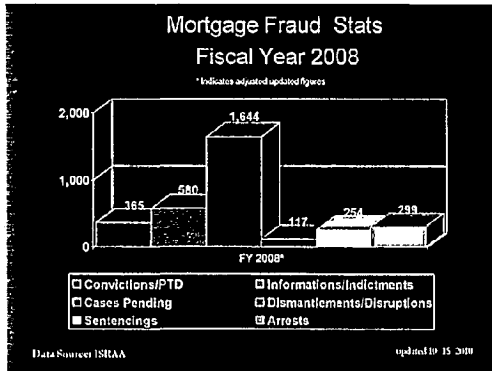
FY 2007-2010 are preliminary figures

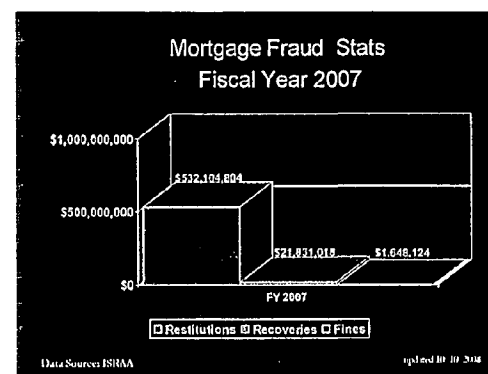
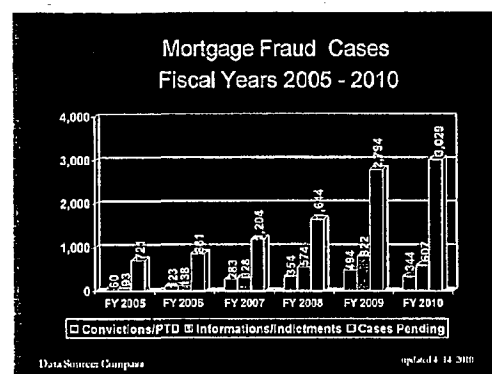
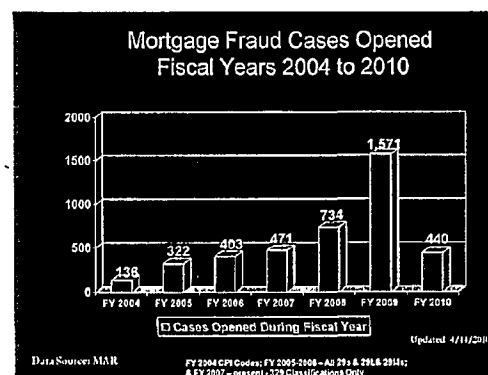
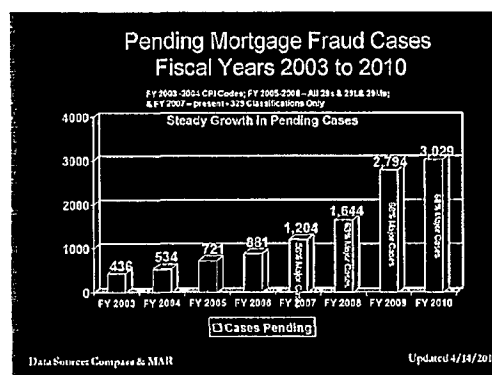
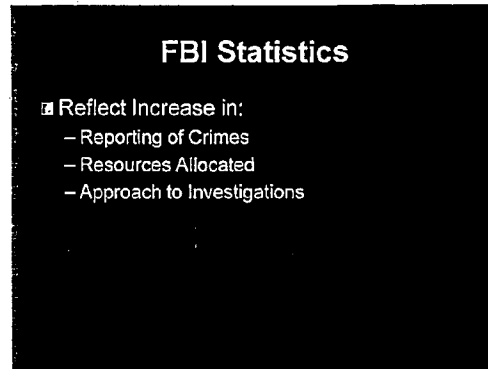
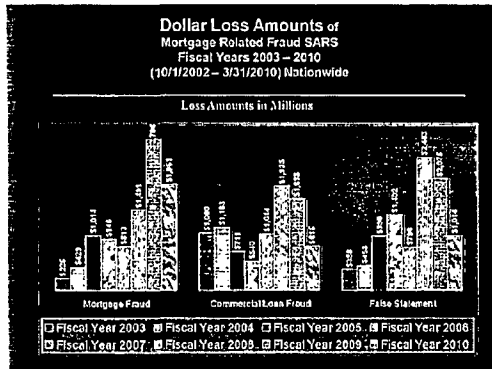
* Indicates that 2007 was a preliminary figure

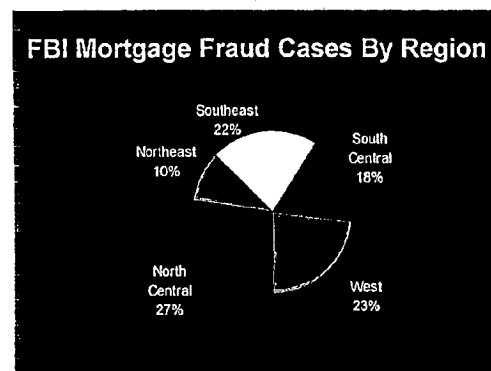
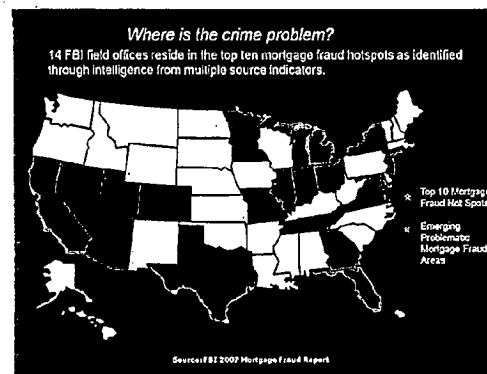
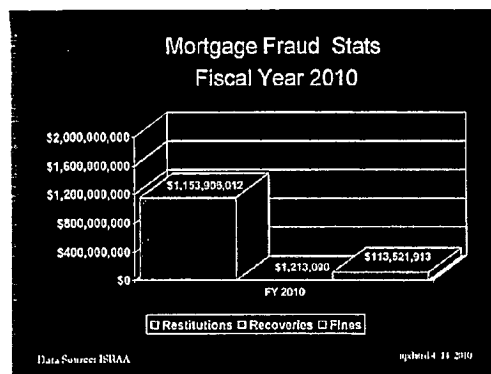
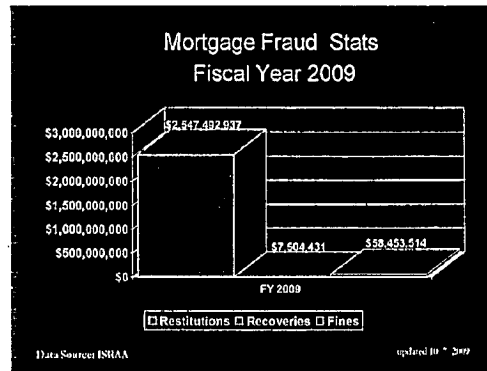
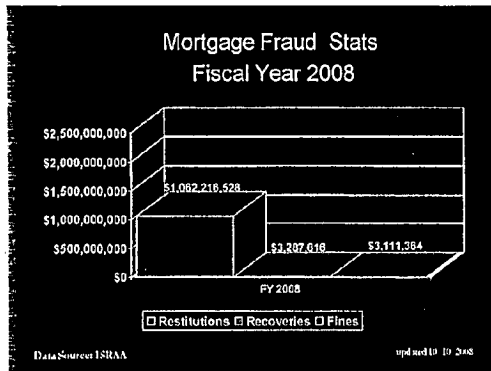
For more information on these cases, visit the FBI's website at www.fbi.gov











- ### Emerging Schemes
- FBI Always seeking to ID new Schemes
 - FBI Annual Mortgage Fraud Report
 - Produced with the Assistance of the Mortgage Industry
 - Identifies Emerging Schemes

Halloween Last Year?



How the FBI Responded

- More Resources (Field/NMFT)
- Innovative Intelligence Products
- Innovative Investigative Strategy
- "Fast-Track Prosecutive Strategy"
- Working Together:
 - Task Forces
 - IRS, USSS, USPIS, FTC, TARP, State/Local Etc.
- Operation Malicious Mortgage

LA Times 03/17/2009

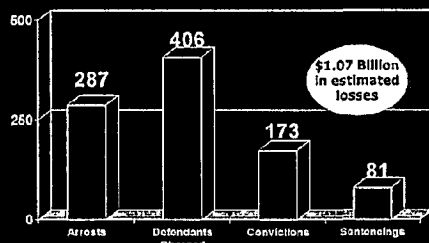
- "Nearly a year after the FBI set up a task force in Southern California, the state has dropped from fourth place to eighth for mortgage fraud, according to a report released Monday by the Mortgage Asset Research Institute, a branch of data firm LexisNexis.

Operation Malicious Mortgage

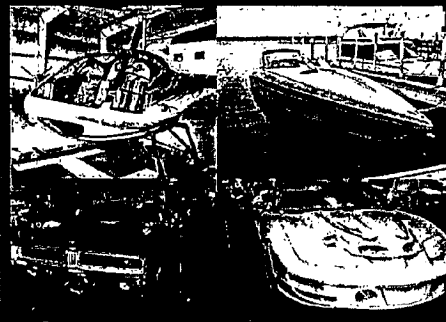
- Hundreds of Agents!
- Hundreds of Bad Guys!
- Billions of Dollars!
- Massive Asset Seizures!
- Long Prison Terms Expected!

Operation Malicious Mortgage

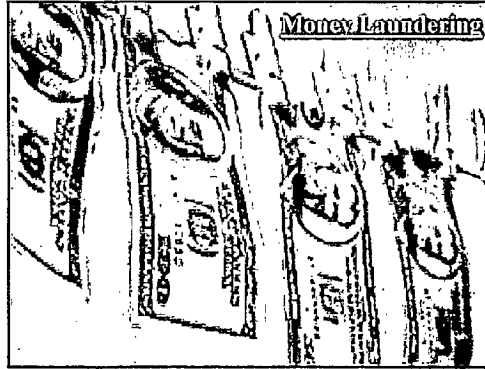
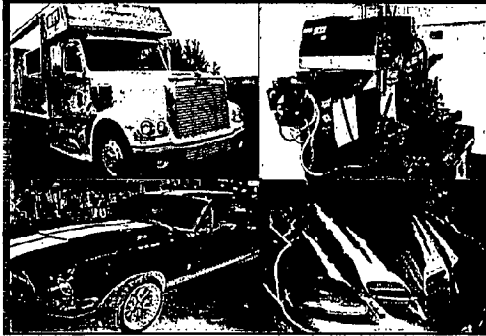
March 1, 2008 to June 18, 2008



Seized Assets from Operation Malicious Mortgage



Seized Assets from Operation Malicious Mortgage



The Old Way

- Bulk Cash Smuggling

Weight of One Million USD

Denomination	Kilos	Pounds
\$1	909	2,000
\$5	182	400
\$10	91	200
\$20	45	100
\$50	18	40
\$100	9	20

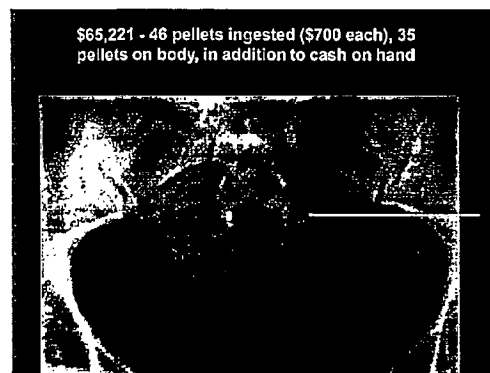
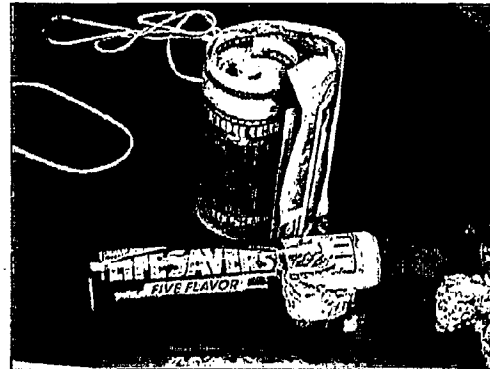
Volume of One Million USD in \$20 Bills



3 Stacks
6.1 Feet or
1.87 Meters
High

\$21,644 in a Cereal Box





The New Way

- Stored Value Cards
- Pre Paid Cards
- Digital Currency

Anonymous Cards

Stored Value Cards Prepaid Cards

- An Emerging Threat
- A Money Laundering Tool



Prepaid Cards: Open System

- Used to make purchases or access cash using the MasterCard and Visa global payment networks
- Cards are marketed to:
 - Unbanked, teens, and others without a credit card
 - ~10 million households in U.S. are unbanked; significant number are Latino immigrants.
 - Senders/receivers of cross-border remittances
 - Remittances sent from U.S. were ~\$34 billion in 2003
 - ~50% of individuals in U.S. who send remittances are unbanked
 - People who need help budgeting

Open System Prepaid Cards

Bank-issued, but no bank account is required



Corporate & Securities Fraud

- Complex Long Term Investigations
- Nationwide Partnerships
 - FBI, IRS, SEC, TARP etc.

Sub-Prime Meltdown Timeline

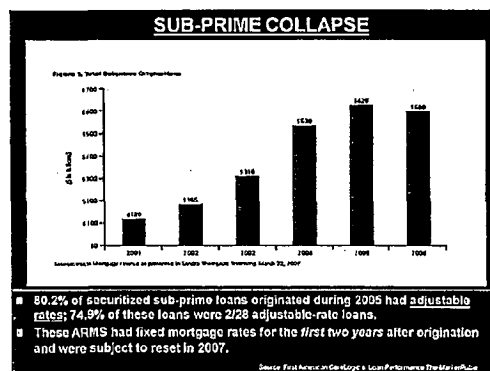
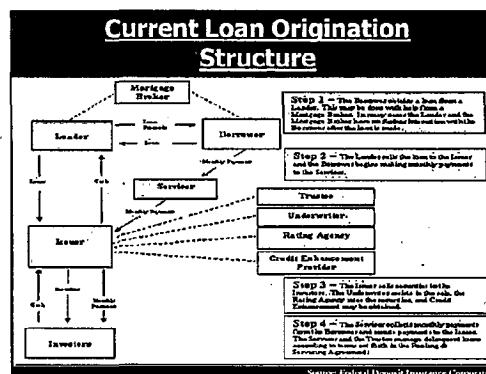
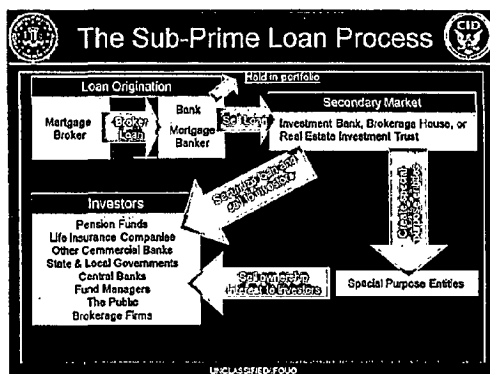
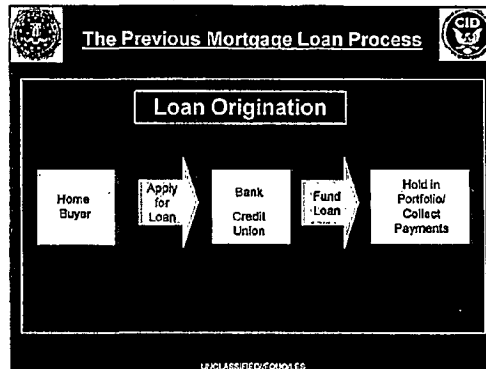
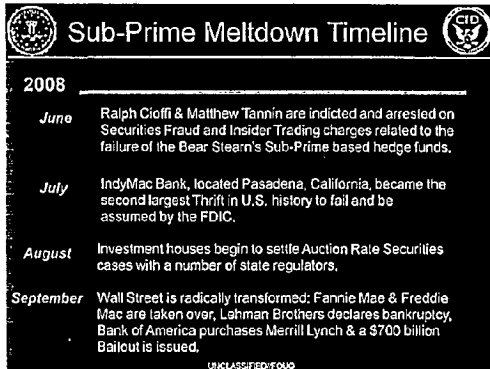
2004	
June	Federal Reserve began a series of Fed Funds Rate increases. By June 2006, there will have been 17 consecutive increases raising the rate from 1% to 5.25%.
2006	
December	The weakest Sub-Prime mortgage originators begin to fail; by December 2007, over 110 mortgage origination companies will have closed their doors.
2007	
April	New Century (2nd largest originator of Sub-Prime loans) filed for bankruptcy.

UNCLASSIFIED//FOUO

Sub-Prime Meltdown Timeline

2007	
July	Bear Stearns announced that investors in their Sub-Prime hedge funds would receive little or no recovery; the two funds had lost 90% of their value.
August	RealtyTrac announced that foreclosures had risen 93% in one year.
November	Goldman Sachs forecasted Sub-Prime losses for the financial sector would reach \$400 billion.
2008	
April	Sub-Prime losses reached \$232 billion and the IMF estimated that financial institutions world-wide may face losses of \$945 billion over the next two years.

UNCLASSIFIED//FOUO



FBI Statement to Congress in 2004

"The potential impact of mortgage fraud on financial institutions and the stock market is clear. If fraudulent practices become systematic within the mortgage industry and mortgage fraud is allowed to become unrestrained, it will ultimately place financial institutions at risk and have adverse effects on the stock market."

— Chris Swecker, Former FBI Assistant Director, Criminal Investigative Division, Introductory Statement: House Financial Services Subcommittee on Housing and Community Opportunity, October 7, 2004.



Financial Companies' Losses Top \$1 Trillion

S&P 500 index losses nearly \$100B in value in trading Monday

New York (AP) — Financial companies, which have lost more than \$1 trillion in value since the start of the crisis, were the most volatile on Wall Street Monday as investors reacted to the latest round of losses.

The S&P 500 index fell 1.1 percent, or 11.50 points, to 1,154.86. The Dow Jones Industrial Average fell 1.1 percent, or 11.50 points, to 11,548.66. The Nasdaq Composite Index fell 1.1 percent, or 11.50 points, to 2,154.86.

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Pressure at Mortgage Firm Led To Mass Approval of Bad Loans

By David Gao
The New York Times

Msgr. Hardman cringed as she heard the silence break up the side of desks with a baseball bat as they walked through her office.

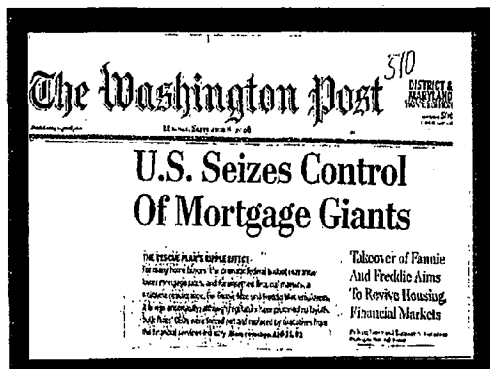
"You can't do that!" she yelled.

"You can't do that!" she yelled.

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The Washington Post

U.S. Seizes Control Of Mortgage Giants

The Federal Reserve has taken control of the nation's largest mortgage servicers, a move that could have far-reaching effects on the housing market.

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Struggling Mortgage Lender Taken Over by Regulators

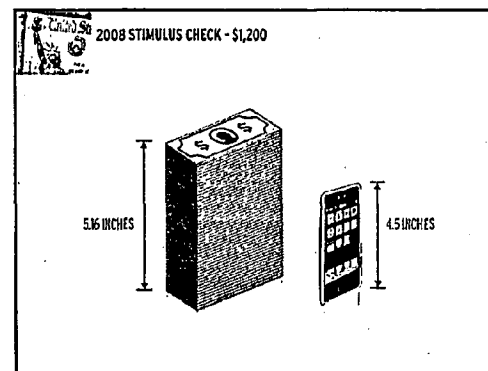
IndyMac to Reopen Monday Under Federal Control

IndyMac, one of the nation's largest mortgage lenders, will be taken over by federal regulators on Monday.

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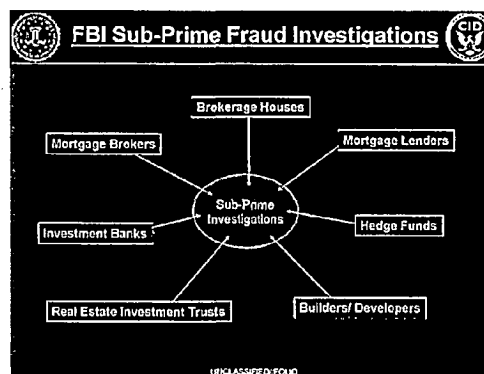
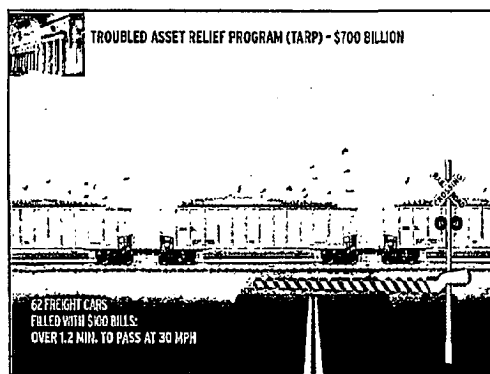
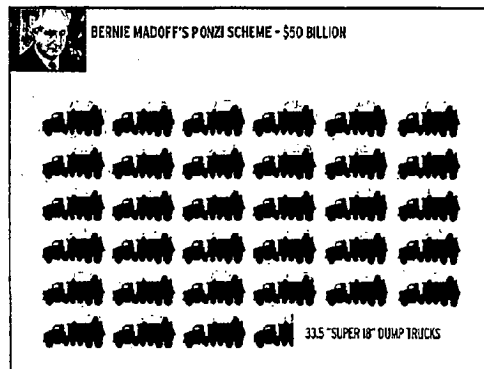
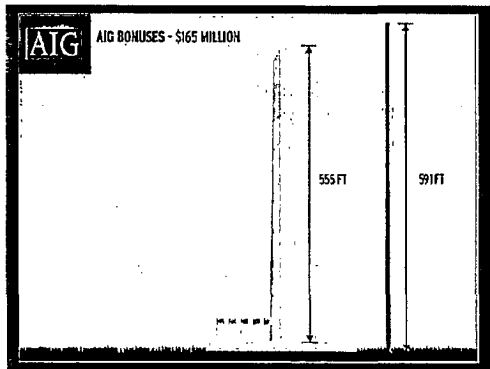
A cartoon showing a man and a woman at a bar. The man says, "I'M HELPING SOLVE THE FINANCIAL CRISIS ON WALL STREET." The woman replies, "SO YOU'RE A FINANCIAL GENIUS?" The man then says, "NO, I'M A TAXPAYER."



2008 STIMULUS CHECK - \$1,200

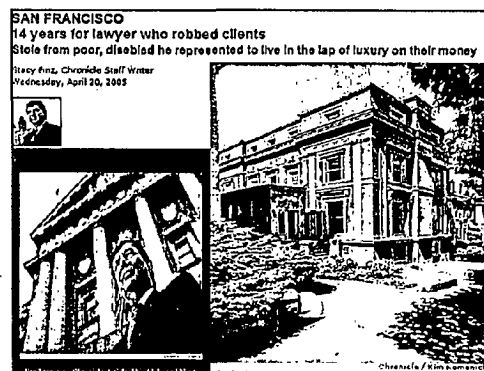
5.16 INCHES

4.5 INCHES



White Collar Crime Cases Conclusion
What do we want?

- **The Bad Guys Assets!**
 - The cash you made and the toys you bought!
 - **Money Laundering:** The bad guys always make laundering criminal proceeds a high priority.
 - **Crime Doesn't Pay** if they can't use the money.
 - We pay the victims back and keep the rest for ourselves (DOJ - AFF).
- **The Bad Guys in Jail!**



A once-prominent San Francisco lawyer convicted of stealing from his poor and sickly clients to support his luxurious lifestyle was sentenced Tuesday to more than 14 years in prison, after a federal judge upbraided him for disgracing the legal profession. Nikolai Tehin "looked his victims in the eye," U.S. District Judge Vaughn Walker said.

"Nick was ready for the worst," said his attorney, Harold Rosenthal. "But he suffers quietly." For Rosenthal, however, the sentence came as a shock. "I'm floored," he said. "This is the longest sentence I've ever had one of my clients receive in federal court."

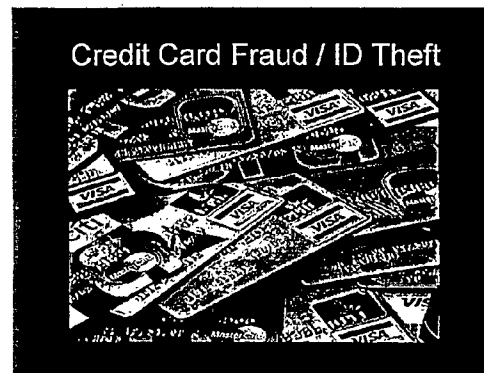
Once he was at the top, he couldn't afford to stay there. Financial pressure "makes people do things they never would," Rosenthal said, adding that his client had already paid a heavy price for his crimes, including giving up his license to practice law. "Mr. Tehin started at the bottom and will ultimately end up at the bottom," Rosenthal said. "He has no savings, no retirement. He's impoverished and is going to jail. And maybe he deserves it. I'm just asking you to give him a little light at the end of the tunnel."

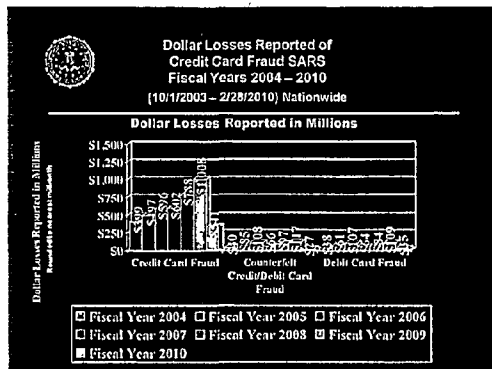
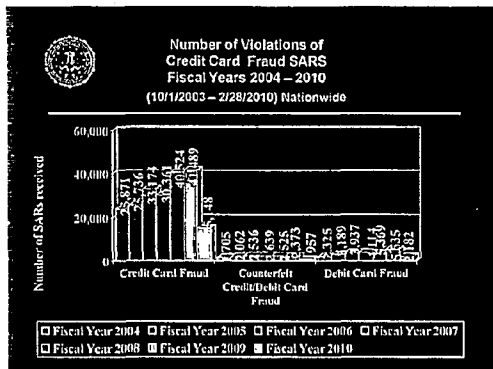
Walker acknowledged Tehin's rags-to-riches story, but said his crimes called for severe punishment. "It was an American success story," the judge said. "Unfortunately, it was an American success story that has gone very wrong."

① Launder money
 ② Get \$ to Israel get it back in
 ③ I heard Stearn say to me: that Richard said
 committed
 ④ Reference Stuart Rothchild
 ⑤ CPA - No. CAN DO!
 ⑥ Residue - supposedly sent
 \$250,000 to Residue is spent
 Promised to send a lot of how \$
 Spent 3,000,000 - 150,000 more in
 Dec has not of them
 Moved to Ukiah - Clearville

Get all \$ hidden money
 ① Wind
 Best way - take cash
 out of Okinawa
 Take \$ from bank to Bahamas
 Then use \$ to bid
 from Baker to
 for business
 Use FICT. Name - due to
 Lie for
 use of main loop
 Dept of Health - Bureau of Health
 J. H. H. S.

① Do not p - possibly
 trapping
 I want to
 do best from
 ② Plan ahead - may get caught
 go to jail
 OBT
 Stay out of JAIL
 get me CRM comit
 How? over and to the
 K/K





§ 1029. Fraud and related activity in connection with access devices

■ (a) Whoever:

- (1) knowingly and with intent to defraud produces, uses, or traffics in one or more counterfeit access devices;
- (2) knowingly and with intent to defraud traffics in or uses one or more unauthorized access devices during any one-year period, and by such conduct obtains anything of value aggregating \$1,000 or more during that period;
- (3) knowingly and with intent to defraud possesses fifteen or more devices which are counterfeit or unauthorized access devices;

Anybody Anywhere Under 1029

- (h) Any person who, outside the jurisdiction of the United States, engages in any act that, if committed within the jurisdiction of the United States, would constitute an offense under subsection (a) or (b) of this section, shall be subject to the fines, penalties, imprisonment, and forfeiture provided in this title if— (1) the offense involves an access device issued, owned, managed, or controlled by a financial institution, account issuer, credit card system member, or other entity within the jurisdiction of the United States; and
- (2) the person transports, delivers, conveys, transfers to or through, or otherwise stores, secrets, or holds within the jurisdiction of the United States, any article used to assist in the commission of the offense or the proceeds of such offense or property derived there from.

§ 1028A. Aggravated Identity Theft

■ (a) Offenses.

- (1) In general.—Whoever, during and in relation to any felony violation enumerated in subsection (c), knowingly transfers, possesses, or uses, without lawful authority, a means of identification of another person shall, in addition to the punishment provided for such felony, be sentenced to a term of imprisonment of 2 years.
- (2) Terrorism offense.—Whoever, during and in relation to any felony violation enumerated in section 2332b (g)(5)(B), knowingly transfers, possesses, or uses, without lawful authority, a means of identification of another person or a false identification document shall, in addition to the punishment provided for such felony, be sentenced to a term of imprisonment of 5 years.

What 1028 Does

2 Years Imprisonment

No probation

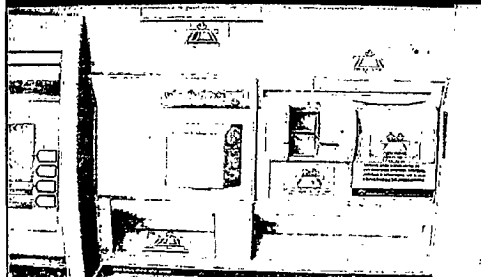
Cannot run concurrent

(i.e. the bad guy does one stretch followed by the next, not two for the price of one!)

ATM Face Plate Replacement

- A successful trend.
- Does not require a "sucker" because the victim is merely conducting a transaction on a normal looking machine as they would any other time.

1- Is this a Compromised ATM?
It sure looks normal.



2- Is there an additional slot?

*FALSE slot Fixed to the original card slot. (Same color and sticker). Contains additional card reader to copy your card information...and duplicate your card



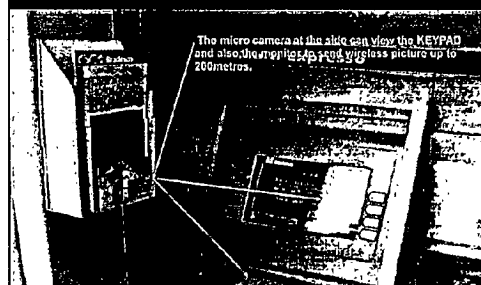
3- A monitor and pamphlet holder at the sideanything wrong?



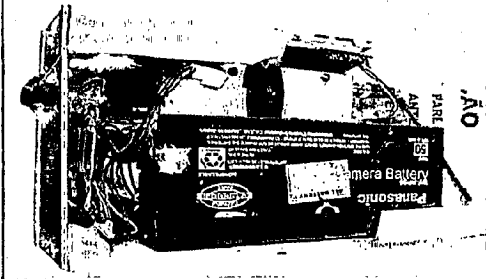
4- wait Is it really a pamphlet holder
The side of box , facing the ATM screen
has a reflective glassy holethats a
CAMERA !



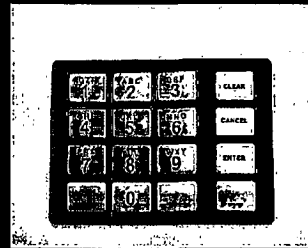
5-False pamphlet box affixed to the ATM
cubicle side



6-Inside the "pamphlet box"



PIN Pad Face Plate:
Records you type your PIN (no need for a camera you may get in the way of).



Caught in the Act: How they do it



- At first glance it would appear as though this individual is simply performing a simple ATM transaction.

Setting the Trap



- What he is in fact doing is rigging the slot on the machine so as to capture (or keep) the card of the next person who uses the ATM.

The Lookout



- Rigging the machine is very risky business therefore the services of a "lookout" is required in order to warn of possible witnesses and/or potential victims.

The Victim



- Here we see the next customer to use the machine after the trap has been set. He inserts his card and attempts a transaction.

The Capture



■ The card has been captured and the customer is confused as to why this is so. However in the background we see that help is on the way.....or is it?

Obtaining the P.I.N



■ He convinces the customer that he would be able to retrieve his card if he entered his P.I.N while he holds down both the "cancel" and the "enter" buttons.

The Surrender



■ After several attempts the customer is convinced that the machine has captured his card. Both he and the Fraudster leave the ATM.

The Pickup



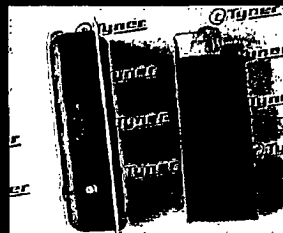
■ Satisfied that the coast is clear the Fraudster returns to retrieve the card that has been captured by his trap. He not only has the customers card he also has his P.I.N.

The Exit

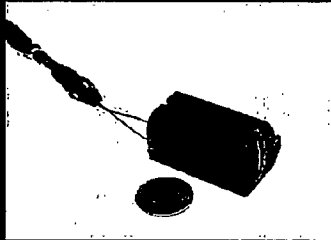


■ Armed with card and P.I.N he left and was able to withdraw \$1000 from the account.

For Sale on the Internet Last Week



For Sale on the Internet Last Week



Identity Crimes

- Win Win Situation for the Bad Guys
- Financing & Anonymity

Identity Crime Connections

- Identity crimes are usually associated with other crimes and are used as a facilitator, through financing or anonymity, to commit other crimes:
 - Terrorism
 - Narcotics/Drug Trafficking
 - Organized Crime
 - Mail Fraud/Mail Theft (can be a precursor to ID crime)
 - Financial Fraud (i.e. Money Laundering)
 - Mortgage Fraud
 - Weapons trafficking
 - Homicide
 - Wire Fraud
 - Computer Crime



Federal Bureau of Investigation
San Francisco

SA [REDACTED]

Basic Mortgage Fraud Conference

*Denver, Colorado
May 26, 2010*

Why?

- Why are we working more mortgage fraud today than ever?

b6
b7C
b7E

Because of the Financial Crisis

Financial Companies' Losses Top \$1 Trillion

S&P 500 index loses nearly \$150B in value in trading Monday

NEW YORK (AP) — The S&P 500 index lost nearly \$150 billion in value Monday as investors reacted to reports that the U.S. government had taken over the mortgage giant Freddie Mac. The index closed at 1,204.46, down 100.12 points from Friday's close of 1,304.58.

The Dow Jones Industrial Average fell 100.12 points to 10,000.00. The Nasdaq Composite Index lost 100.12 points to 2,000.00.

The S&P 500 index has lost more than \$1 trillion in value since the start of the year. The index is down 100.12 points from Friday's close of 1,304.58.

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Pressure at Mortgage Firm Led To Mass Approval of Bad Loans

By David Cole
Herald Tribune Staff Writer

Maggie Hardman cried as she heard the sirens tracking the sides of desks with a hunched list as they walked through her office. Bang! Bang!

"You cut my [expletive] deal," she recalls one man yelling at her. "You can't do that." Bang! The last whacked the top of her desk. As an employee for a company called New Century Financial, Hardman was supposed to weed out bad mortgage applications. Most of the mortgage applications, Hardman reviewed had problems, she said.

But "you didn't want to turn away a loan because all hell would break loose," she recounted in interviews. When she did, her bosses often overruled her and found another applicant to sign on to.

Hardman's account is one of several from former employees of New Century that shed fresh light on an unfolding disaster in the mortgage industry, one that could cost as many as 2 million American families their homes and threaten to spill over into the broader economy.

New Century has become the premier

NEW CENTURY, A.C. 1

The Washington Post

U.S. Seizes Control Of Mortgage Giants

THE HOUSE PLANS TO TAKE OVER

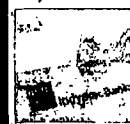
The House plans to take over the mortgage giant Freddie Mac. The House is expected to vote on the bill today. The bill would give the House the power to take over Freddie Mac if the government is unable to raise the money it needs to keep the company afloat.

Takeover of Freddie Mac And Freddie Aims To Revive Housing Financial Markets

Freddie Mac is a government-owned company that provides financing for the housing market. The company is currently in financial trouble and the House is considering a bill to take it over.

Struggling Mortgage Lender Taken Over by Regulators

IndyMac to Reopen Monday Under Federal Control



By Dana F. Bergman
Los Angeles Times Staff Writer

IndyMac is a mortgage lender that is currently in financial trouble. The company is being taken over by regulators.

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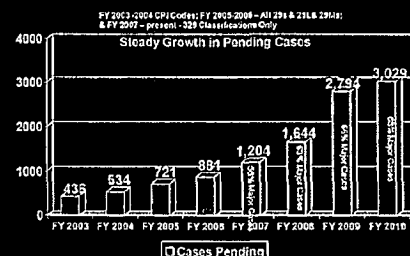
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What did the FBI do as a result of the financial crisis

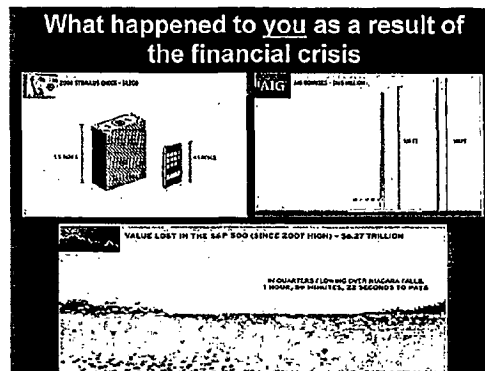
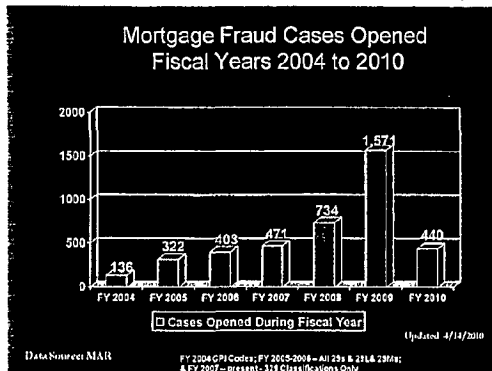
- Opened 3941 cases from 2005 – 2010
- 1571 of which were opened during 2009, the year of the "meltdown."

Pending Mortgage Fraud Cases Fiscal Years 2003 to 2010



Data Source: Compas & MAH

Updated 4/14/2010



- What the San Francisco FBI did as a result of financial crisis**
- SAR Party
 - ACRP
 - CPARTY
 - Rocky Road
 - Tango & Cash
 - The Big Short
 - Trials ☺

- Mortgage fraud in San Francisco is typically committed for one of two reasons**
- By a borrower to obtain a house in our expensive real estate market.
 - By real estate professionals to obtain the big commissions associated with closing high cost transactions.

- SF MF Background: Most Common Type of Fraud**
- Fraud for Profit/Commissions
 - Orchestrated by Real Estate Professionals
 - Mortgage Brokers
 - Loan Officers
 - Real Estate Agents
 - Anyone who makes a cut of the commission when a transaction closes.

- SF MF Background: Most Common Fraudulent Documents**
- Income
 - W-2s, Pay Stubs, Tax Returns, CPA Letters
 - Assets
 - VODs (Fake / Bank Insider), Bank Records, Vehicles, etc.
 - Payment History
 - VOR
 - Occupation (self-employed)
 - Reference Letters

Building Simple Cases I

- Mail/Wire Fraud
 - Single loan
 - Deed of Trust
- 1028A Aggravated Identity Theft
 - 2 years mandatory Minimum
 - No concurrent terms
 - Works for many SF schemes

§ 1028A. Aggravated identity theft

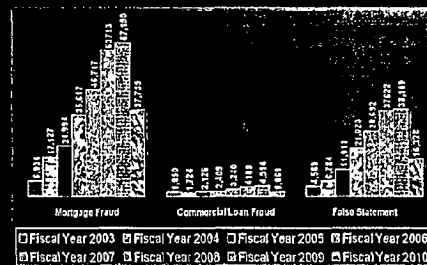
■ (a) Offenses.

- (1) In general.— Whoever, during and in relation to any felony violation enumerated in subsection (c), knowingly transfers, possesses, or uses, without lawful authority, a means of identification of another person shall, in addition to the punishment provided for such felony, be sentenced to a term of imprisonment of 2 years.
- (2) Terrorism offense.— Whoever, during and in relation to any felony violation enumerated in section 2332b (g)(5)(B), knowingly transfers, possesses, or uses, without lawful authority, a means of identification of another person or a false identification document shall, in addition to the punishment provided for such felony, be sentenced to a term of imprisonment of 5 years.

Building Simple Cases II

- Interview Techniques (1st serial is the confession)
 - Two tracks
 - Do you want to be witness against next guy or do you want them to be the witness against you.
 - Conduct interviews at FBI office. How?
 - WCC documents float around forever (and we have thousands...)
 - Target signed/notarized multiple documents to commit the crime.
- ITACC System
 - Easy
 - Works best operationally
 - Organization
- SF Procedures
 - FD-759s

SAR PARTY



ACRP

- Accelerated Case Resolution Program
- EC Opening Case
- ITACC Number Assigned to Case
- Cases assigned across Division
- Preparation level prior to interviews and recorded phone calls = _____
- Ultimate results: ongoing, intel, practice, cases, cooperators.

CParty

- CPAs / Licensed Tax Preparers paid by brokers/real estate agents to create fraudulent tax returns (inflating income) submitted to lenders.
- How: Ongoing cases, loan files obtained from lenders, SARS, FBIHQ list
- Why?: Easy, productive efficient, clean
 - Targets name and signature on the document
 - Targets created documents for multiple brokers and kept records

ROCKY ROAD

- Ongoing case led to the discovery of a single individual who produced fraudulent W-2s/Pay Stubs for dozens of Brokers/Agents, and saved all records/emails
 - Fast and efficient case targeted most egregious offenders.
 - Record calls, obtain loans, match up with emails.

TANGO & CASH

- Spin-off from ongoing case involves targeting subjects based on loan files already obtained (reverse investigation).
 - Fast / efficient (we have the evidence before we ID the subjects)
 - Simple complaints/indictments charge a single loan. (mail/wire due to "non financial institutions"
 - statute of limitations problems

The Big Short

- Short Selling Schemes
 - Old bad guys committing new crimes
- Use cooperators to find new targets

TRIALS

- Everything you do should be to maximize efficiency and create clean trial proof cases. That is our job. Clean cases save the FBI/tax payers \$.
- Trial #1: Conviction early this year
- Trial #2: Set for this Summer

Possible adverse results of fast-track investigations/prosecutions

- Phone calls
- Emails
- Overt nature of investigations
- Motions to Suppress Confessions, Dismiss cases and others post arrest legal process

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