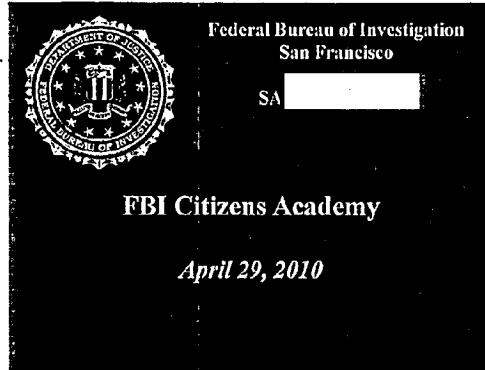
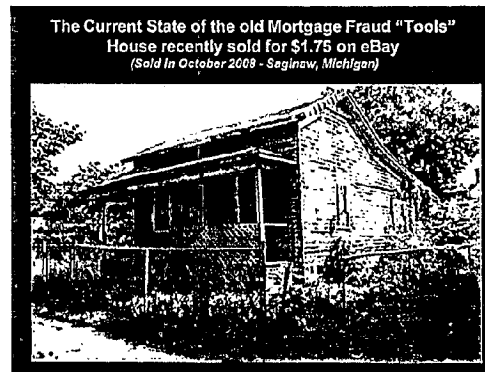
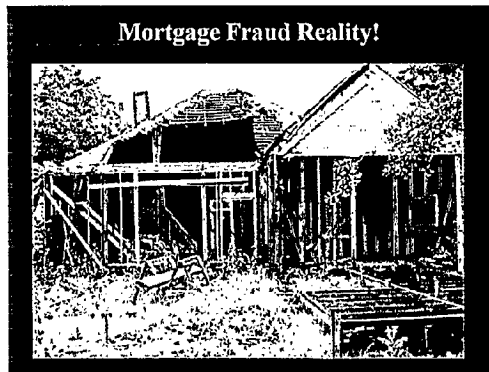
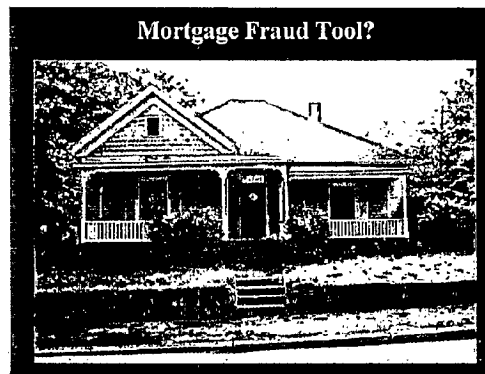




b6
b7C

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...



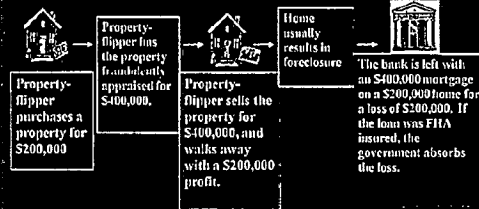
Mortgage fraud is committed for one of two reasons

- To obtain a property
- To gain a profit



Most Common Type of Mortgage Fraud Across The United States

The classic property "flip."



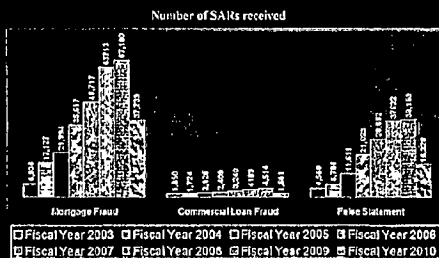
Most Common Type of Fraud in the Bay Area

- 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

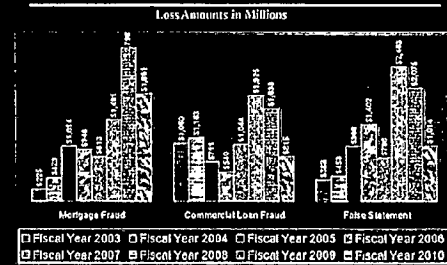
SARS in General

- 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

Number of Violations of Mortgage Related Fraud SARS Fiscal Years 2003 – 2010 (10/1/2002 – 3/31/2010) Nationwide



Dollar Loss Amounts of Mortgage Related Fraud SARS Fiscal Years 2003 – 2010 (10/1/2002 – 3/31/2010) Nationwide

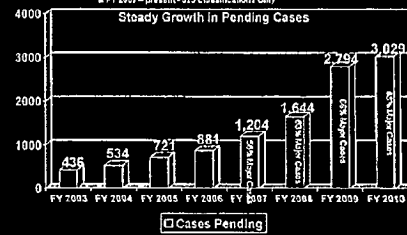


FBI Statistics

- ☐ Reflect Increase in:
 - Reporting of Crimes
 - Resources Allocated
 - Approach to Investigations

Pending Mortgage Fraud Cases Fiscal Years 2003 to 2010

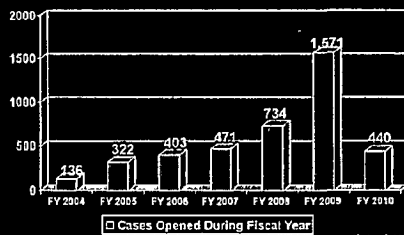
FY 2003-2004 CPI Codes; FY 2005-2008 - AG 29a & 29L & 29LH;
& FY 2007 - present - 325 Classification Only



Data Source: Compas & M/Alt

Updated 4/14/2010

Mortgage Fraud Cases Opened Fiscal Years 2004 to 2010

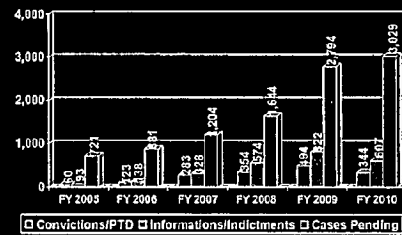


Updated 4/11/2010

Data Source: MAIR

FY 2004 CPI Codes; FY 2005-2008 - AG 29a & 29L & 29LH;
& FY 2007 - present - 325 Classification Only

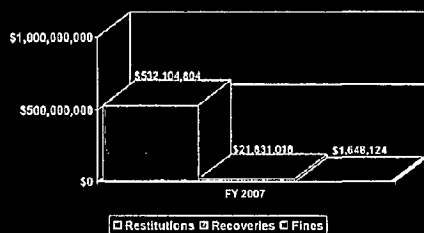
Mortgage Fraud Cases Fiscal Years 2005 - 2010



Data Source: Compas

Updated 4/14/2010

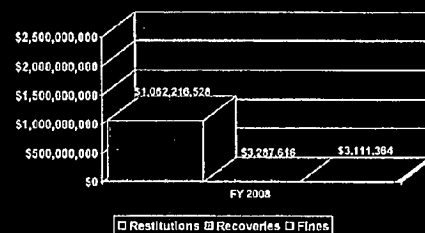
Mortgage Fraud Stats Fiscal Year 2007



Data Source: ISIAA

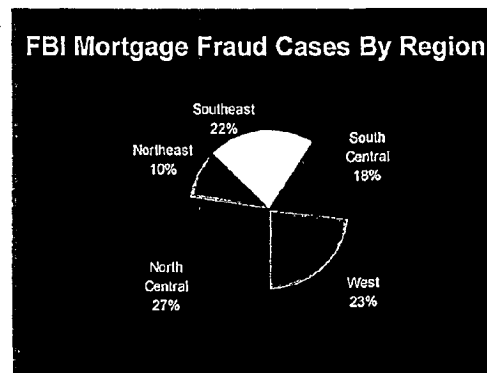
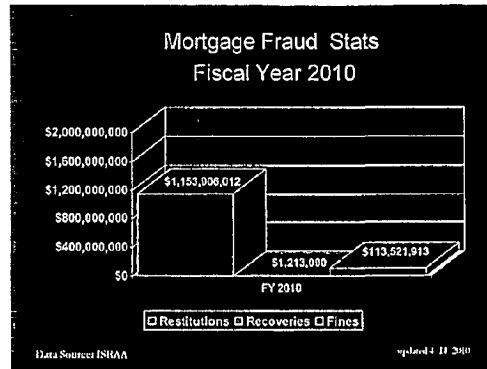
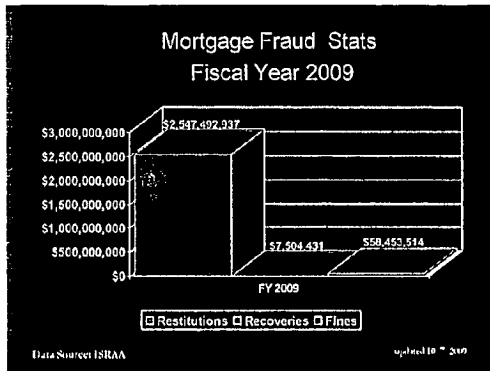
Updated 10/10/2008

Mortgage Fraud Stats Fiscal Year 2008



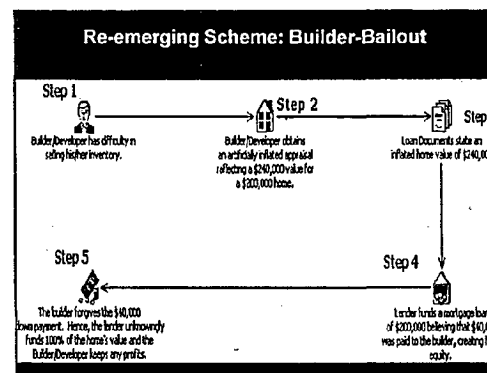
Data Source: ISIAA

Updated 10/10/2008



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



Does the lender know about the 2nd Home?

Buy a new home at Royal View; Get a second new home at Cityscape FREE!

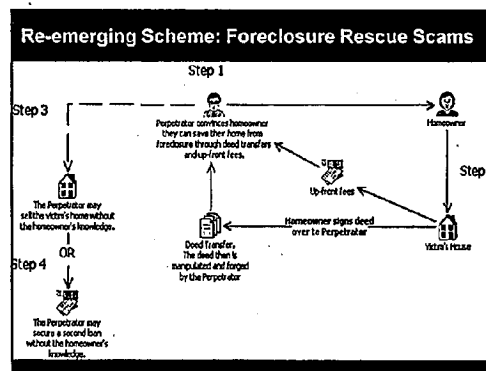
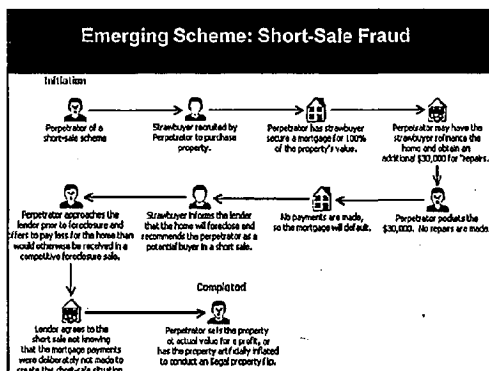
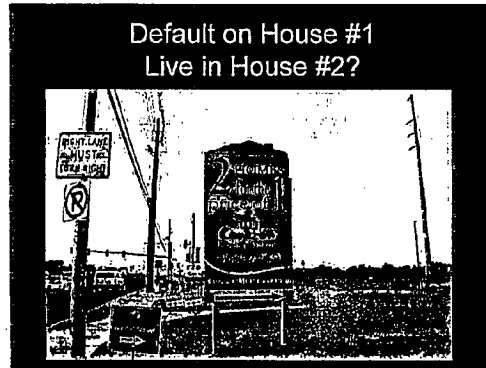
Don't Get One FREE!

Royal View
 • Great Estate Homes in the San Joaquin Valley
 • Luxurious homes with pools and RV Garages

Cityscape
 • Brand New Homes in the heart of Escalante
 • Spacious floorplans with Designer Features

Michael Crews
 Move-In Ready! Tours Available! Open Daily 9 a.m. - 6 p.m.
 www.michaelcrews.com Call 760-751-1212

Don't miss the incredible opportunity to own two homes before and after we close! But a new home for you and get a second new home FREE! Great for your children, parents, grandparents, parents, or rental property. *Restrictions apply. Home & Conditions Apply. New Sales Resumes for 2012.



Mortgage Origination Fraud Results
Foreclosed/Abandoned Homes

Mortgage Crisis Reverses Tide of Urban Renewal



How the FBI Responded

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

LA Times 03/17/2009

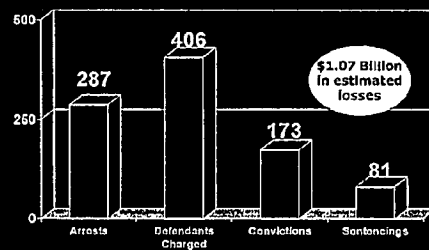
- "Nearly a year after the FBI set up a task force in Southern California, the state has dropped from fourth place to eighth for mortgage fraud, according to a report released Monday by the Mortgage Asset Research Institute, a branch of data firm LexisNexis.

Operation Malicious Mortgage

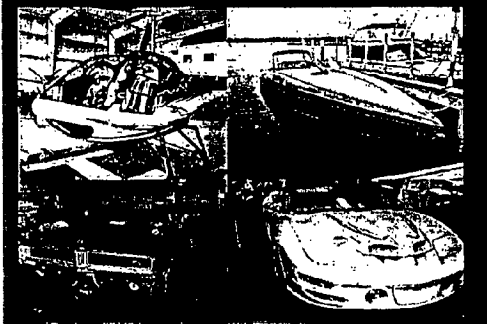
- Hundreds of Agents!
- Hundreds of Bad Guys!
- Billions of Dollars!
- Massive Asset Seizures!
- Long Prison Terms Expected!

Operation Malicious Mortgage

March 1, 2008 to June 18, 2008

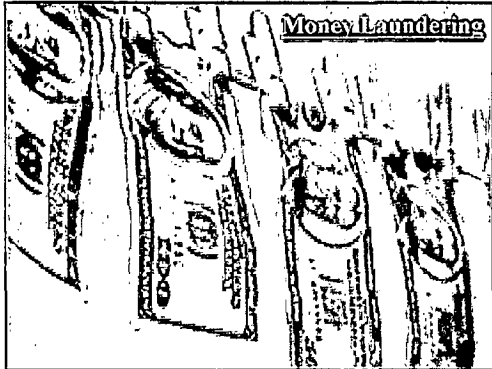


Seized Assets from Operation Malicious Mortgage



Seized Assets from Operation Malicious Mortgage





The Old Way

- Bulk Cash Smuggling

Weight of One Million USD

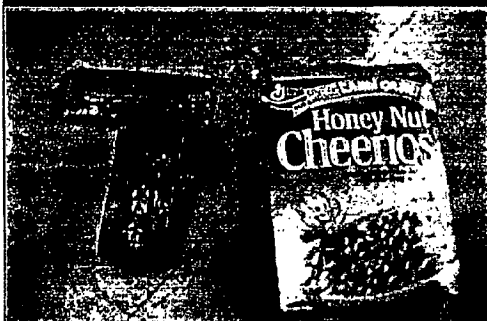
Denomination	Kilos	Pounds
\$1	909	2,000
\$5	182	400
\$10	91	200
\$20	45	100
\$50	18	40
\$100	9	20

Volume of One Million USD in \$20 Bills



3 Stacks
6.1 Feet or
1.87 Meters
High

\$21,644 in a Cereal Box

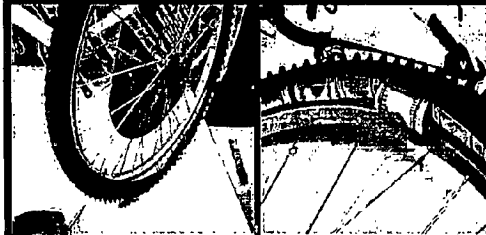


\$51,000 Seized in New York





\$231,340 Secreted in a bicycle tire discovered in the Miami International Airport



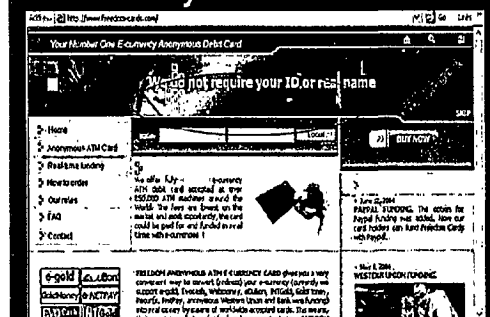
\$65,221 - 46 pellets ingested (\$700 each), 35 pellets on body, in addition to cash on hand



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	
<i>June</i>	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	
<i>December</i>	The weakest Sub-Prime mortgage originators begin to fail; by December 2007, over 110 mortgage origination companies will have closed their doors.
2007	
<i>April</i>	New Century (2nd largest originator of Sub-Prime loans) filed for bankruptcy.

UNCLASSIFIED//FOUO

Sub-Prime Meltdown Timeline

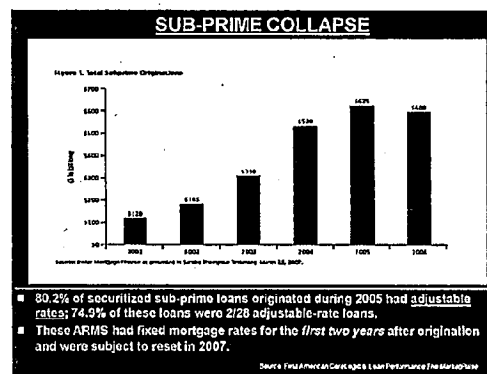
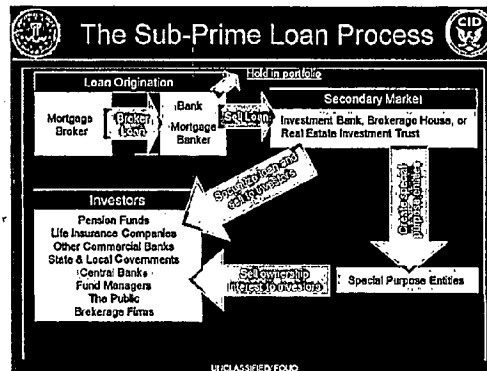
2007	
<i>July</i>	Bear Stearns announced that investors in their Sub-Prime hedge funds would receive little or no recovery; the two funds had lost 90% of their value.
<i>August</i>	RealtyTrac announced that foreclosures had risen 93% in one year.
<i>November</i>	Goldman Sachs forecasted Sub-Prime losses for the financial sector would reach \$400 billion.
2008	
<i>April</i>	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

Sub-Prime Meltdown Timeline

2008	
<i>June</i>	Ralph Cioffi & Matthew Tannin are indicted and arrested on Securities Fraud and Insider Trading charges related to the failure of the Bear Stearn's Sub-Prime based hedge funds.
<i>July</i>	IndyMac Bank, located Pasadena, California, became the second largest Thrift in U.S. history to fail and be assumed by the FDIC.
<i>August</i>	Investment houses begin to settle Auction Rate Securities cases with a number of state regulators.
<i>September</i>	Wall Street is radically transformed: Fannie Mae & Freddie Mac are taken over, Lehman Brothers declares bankruptcy, Bank of America purchases Merrill Lynch & a \$700 billion Bailout is issued.

UNCLASSIFIED//FOUO

[illegible]

Pressure at Mortgage Firm Led To Mass Approval of Bad Loans

By DAVID GILL
Washington Post Staff Writer

Katrina Hardman cried as she heard the salesmen knocking the sides of desks with a baseball bat as they walked through her office. Bang! Bang!

"You out my (expletive) deal!" she recalls one man yelling at her. "You can't do that!" Bang! The bat struck the top of her desk. As an appraiser 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 boss often overruled her and forced another appraiser to sign off on it.

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

See NEW CENTURY, A6, C4, 1

The Washington Post 510 DISTRICT & MARYLAND

U.S. Seizes Control Of Mortgage Giants

THE RESCUE PLAN IS BEING UNVEILED FOR AILING Fannie Mae and Freddie Mac, the two government-backed mortgage giants. The plan calls for a takeover by the U.S. Treasury and the Federal Reserve, which would then place the companies under the control of a new government agency. The plan also calls for the creation of a new government agency to oversee the mortgage market.

Takeover of Fannie And Freddie Aims To Revive Housing Financial Markets.

By David Gill, Washington Post Staff Writer

Struggling Mortgage Lender Taken Over by Regulators

IndyMac to Reopen Monday Under Federal Control

By Dana Eichenbaum
Los Angeles Times Staff Writer

Federal regulators yesterday took over struggling mortgage lender IndyMac Bank, the second largest failure ever of a U.S. financial institution.

IndyMac, which staggered this week under a run on deposits, will reopen as IndyMac Federal Bank. Insured deposits there are

safe. Regulators released that the IndyMac failure will cost the federal bank insurance fund between \$4 billion and \$6 billion.

IndyMac, one of the nation's largest lenders, got caught in the mortgage meltdown that has led to a global credit crisis. Over the past nine months, as borrowers defaulted, it has suffered significant losses and initiated a series of layoffs, including the 1,000 that it announced last week.

See INDYMAC, D3, C4, 1

I'M HELPING SOLVE THE FINANCIAL CRISIS ON WALL STREET.

SO YOU'RE A FINANCIAL GENIUS?

NO, I'M A TAXPAYER.

Phil Witte

2008 STIMULUS CHECK - \$1,200

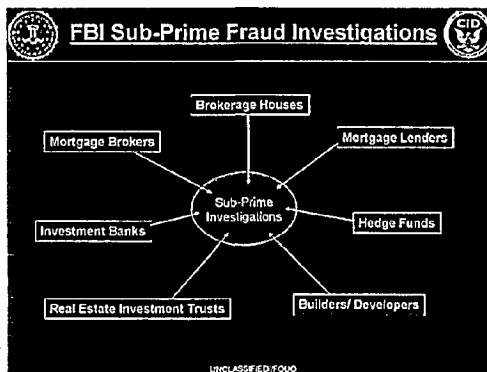
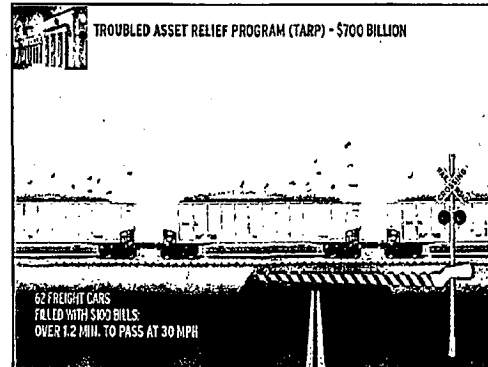
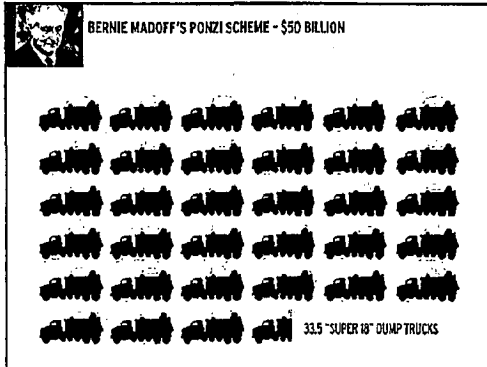
5.76 INCHES

4.5 INCHES

AIG AIG BONUSES - \$165 MILLION

555 FT

591 FT



White Collar Crime Cases Conclusion What do we want?

■ The Bad Guys Assets!

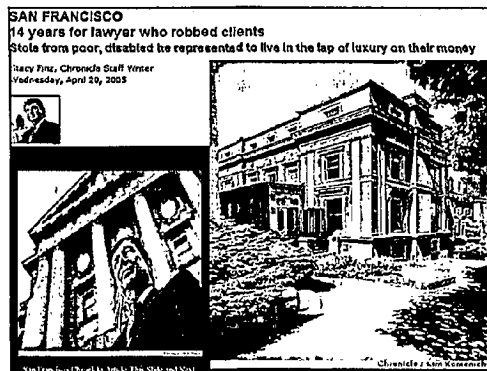
– The cash you made and the toys you bought!

■ 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."

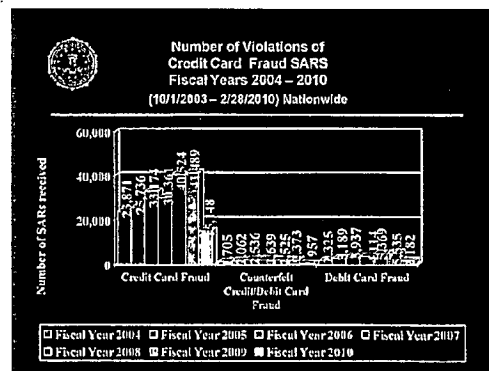
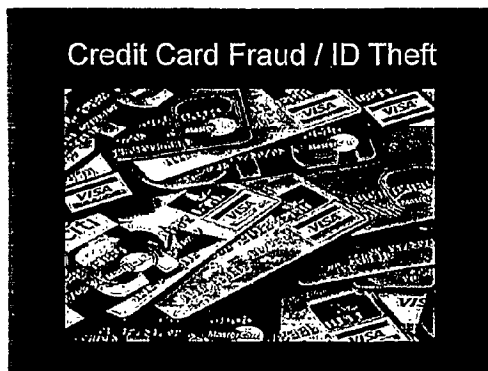
Once he was at the top, he couldn't afford to stay there. Financial pressure "makes people do things they never would," Rosenthal said, adding that his client had already paid a heavy price for his crimes, including giving up his license to practice law. "Mr. Tehin started at the bottom and will ultimately 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: Visit Richard Saver
 Tom Committee
 ④ Reference Steve Rothchild
 ⑤ CPA - No CAN DO!
 ⑥ Residue - Supposedly sent
 \$250,000 to Residue is spent
 Promised to send a list of how it
 Spent 3,000,000 - 1,500,000 with a
 Dec 1st, rest of the
 Mailed to World - 1/1/10

Get all of the money
 Wash
 Best way - take out
 out of the car
 Wash. \$ from bank to Bahamas
 Then from Bahamas
 from Bahamas to
 US & First Nations - also to
 US & mail drop
 Dept of Health - 1/1/10
 J. HARRIS

① Demand
 ② Demand
 OBT
 Stay out of JAIL
 get no CPIM credit
 How? just ask for
 K/K





**Dollar Losses Reported of
Credit Card Fraud SARS
Fiscal Years 2004 – 2010
(10/1/2003 – 2/28/2010) Nationwide**



§ 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 (q)(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

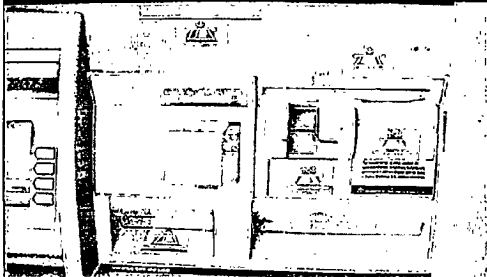
Cannot run concurrent

(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 ?

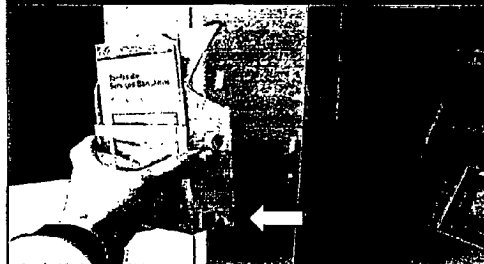
*FALSE slot Fixed to the original card slot. (Same color and sticker). Contains additional card reader to copy your card information ..and duplicate your card



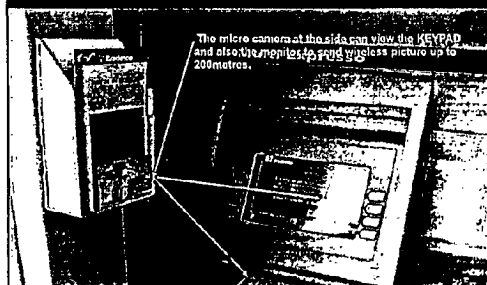
3- A monitor and pamphlet holder at the sideanything wrong?



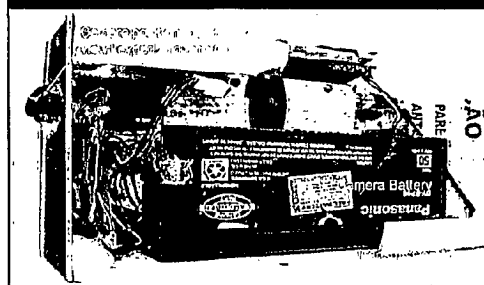
4- wait Is it really a pamphlet holder
The side of box , facing the ATM screen
has a reflective glassy holethats a
CAMERA !



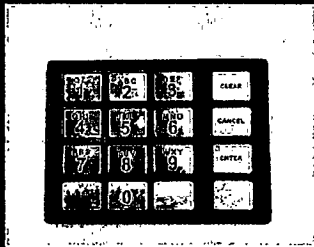
5-False pamphlet box affixed to the ATM
cubicle side



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



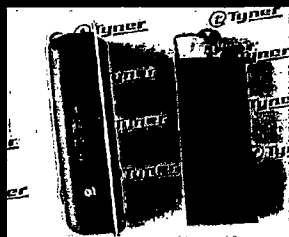
■ Satisfied that the coast is clear the Fraudster returns to retrieve the card that has been captured by his trap. He not only has the customers card he also has his P.I.N.

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