

## Feature Story: Face to Face with the Issues of Mortgage Fraud

by Daniel O. Stamm, J.D.

Being part of a full-service, crisis management law firm requires some duties above and beyond the call of arguing in court on a client's behalf or drafting legal documents. This is particularly true in dealing with certain real estate issues.

As we all know, mortgage foreclosures are at historic levels. Mortgage fraud cases can result in many unoccupied, unfinished properties that leave clients not only with foreclosures, but a host of property management concerns.

Case in point: one of our clients recently received a call from the Chicago police about a property in her name that is currently in foreclosure proceedings. The property is damaged, unoccupied, and not our client's residence – our client is the owner of this property as the result of a multi-million dollar mortgage fraud to which she was among the victims.

Our full-service mission includes serving as property managers for our client-victims of mortgage fraud, so we had to investigate. I arrived at the property with a trusted companion, a cell phone, and a rather large hammer (among other tools, but the hammer looked the most impressive).

Upon our arrival, we found the garage door closed, but evidence of activity on the premises. We had, of course, previously secured the property. Doors had been locked and dead-bolted; the garage door had been locked, and the entry door to the garage had been boarded and padlocked; the front and back gates had been chained shut with padlocks. But how secure is secure? If someone really wants to get in, iron gates can be climbed, nails can be removed, and locks picked or bashed.



Property inspection always seems a bit risky, so we banged on the entry door to the garage - on which our padlock security had been curiously replaced with a thick strand of wire - with my large hammer and loudly announced our presence – just a bit deeper in tone than usual, of course. To our surprise, the wire holding the latch began to move. A moment later, the door opened and a somewhat troubled-looking young man was greeted by two somewhat sizable slightly less-young men, one wielding a rather large hammer.

The homeless squatter immediately apologized, said he would tell "the others" not to return, and quickly left through the just-opened rear gate that had failed to keep him out when chained and padlocked.

We weren't going to chase him down, of course. We understand the plight of someone without a home, looking for a place to stay out of the elements. The foreclosure crisis itself may contribute to the issue. Former homeowners in financial trouble lose their homes to foreclosure and become, themselves, homeless.

As attorneys, however, protecting our clients is of paramount importance, and allowing squatters access to an otherwise unoccupied property is far too risky. Having squatters in an empty property can cause myriad problems.

Fire is of the utmost concern and has many causes. Candles for light, fires for heat, drug use or discarded smoking materials, faulty space heaters, or even unfinished or poorly completed electrical work are only some of the potential fire hazards in an unoccupied property. Rats are another major concern, as food, drinks, litter and other refuse become major attractions to rats and other pests. Squatters are but one problem. Unoccupied properties in foreclosure also can attract crime such as gang activity, drug dealing, and prostitution. Teenagers can see these properties as a party place, while younger children can see them as a potential playground. Properties acquired from unscrupulous developers - those often involved in mortgage fraud schemes - can be unfinished and even structurally dangerous. In addition, any of these issues can lead to financial liability or even demolition if the city or town government determines the property to be a hazard or nuisance.

Remember, if you are facing foreclosure, and particularly if you are the victim of consumer fraud such as real estate fraud or mortgage fraud, be sure that your attorneys are ready to tackle the problem, whatever it takes within the scope of the law. Your attorneys should be ready to take the fight to the perpetrators of mortgage fraud, defend against mortgage foreclosures, and service any related issues and concerns, including what to do with any unoccupied and abandoned properties.

To learn more about our full-service approach, [contact us](#) for a free consultation.

*Court Briefs, a newsletter by Law Bulletin Publishing Company in which new cases of interest are reviewed, selected a JPMA mortgage fraud case as a "Top Case of the Week." [Click here](#) to read the Court Briefs case summary.*

*The Freddie Mac PSA, "Mortgage Fraud 101" is on our Website. [Click here](#) to view.*

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*This newsletter is for information and is not intended as legal advice. For legal advice, [contact our office](#) for a free initial consultation.*

## Special Issue: The Mortgage Fraud Crisis

There are a lot of reasons we can't wait for spring. Some are obvious, such as the roughly 4-feet of snow in Chicagoland this winter. Another reason is, with the marked increase in mortgage fraud, we didn't want to wait until our scheduled spring issue to share this information with you.

Every day the news industry reports on the ongoing slide of the housing market in the United States and the corresponding foreclosure crisis. As the stories unfold, criminal activity, in the form of mortgage fraud, is proving to be a contributing cause. This special issue of *News from Joseph P. McCaffery & Associates* takes a closer look at mortgage fraud, including of our face-to-face encounters with the crisis.

In this issue:

- Face-to-Face with Mortgage Fraud
- FBI Fraud Investigations Up 40 Percent
- County Recorder Warns of New Scheme
- JPMA Fraud Case Featured in *Court Briefs* Newsletter
- Watch the video PSA "Mortgage Fraud 101"

## FBI Fraud Investigations Rise 40 Percent This Year

FBI Director Robert Mueller recently briefed the media on the current state of mortgage fraud.

According to an FBI summary of the briefing, government investigators currently are examining 14 corporations involved in subprime lending. The undisclosed companies come from across the financial services industry and include mortgage lenders and investment banks that bundle loans into securities sold to investors. Some executives also are being investigated for insider trading.

Mueller also told reporters that the number of current open cases— 1,200—is up 40 percent from 2007. Suspicious activity reports the agency reviews for potential mortgage fraud grew from 3,000 in fiscal year 2003 to 48,000 in fiscal year 2007.

Mueller added, "Right now, we're seeing no links to organized crime syndicates, street gangs or terrorist groups in our cases."



## Kane County Recorder Warns Homeowners of Scheme

Kane County Recorder Sandy Wegman is alerting homeowners of an identity and property theft scheme occurring in Kane County.

According to Wegman's office, property titles are being transferred via quitclaim deed through identity theft. To combat this fraud, the Recorder's Office has initiated a program in which residents will be notified by mail of any property ownership changes.

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