

Kelly McLaren

Kankakee County Recorder of Deeds

Press Release

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FOR IMMEDIATE RELEASE

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Alerting the Public to Property Fraud

Kelly McLaren, candidate for Kankakee County Recorder of Deeds, today announced on his website, kellymclaren.com, his intention to create a Property Fraud Alert program.

“My work in the real estate market has made me aware of an important issue facing homeowners, which directly affects the Recorder’s office, and that is property fraud. The recent real estate market has led to unprecedented mortgage fraud and other spurious real estate related schemes. The perpetrators of these white –collar crimes range from mortgage brokers looking to make a fast buck to drug dealers laundering their ill-gotten gains. Every year, these fraudulent schemes victimize individuals and businesses from many walks of life, including struggling low-income families lured into home loans they can’t afford, legitimate lenders saddled with over-inflated mortgages and honest real estate investors fleeced out of their investment dollars. But that’s not all...This could happen to anyone in our county...and your Recorder of Deeds should be at the forefront of this important issue. That is why I vow to take the initiative in alerting property owners of fraudulent activity in our community if I am elected your Recorder of Deeds. Already Champaign, McHenry and Rock Island counties have initiated such programs and I believe our county’s next Recorder should take the lead in this endeavor”, McLaren said.

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The following case summaries are listed on the IRS website and are on public record court documents on file in the judicial district in which the cases were prosecuted:

April 24, 2003, Indianapolis, IN - Paul A. Dailey, owner of Platinum Mortgage Brokerage Firm of Indianapolis, was sentenced to 105 months in prison, followed by three years supervised release, and ordered to pay \$3.7 million in restitution. Dailey pled guilty to conspiracy to commit mail fraud and money laundering. He operated Platinum Mortgage in Indianapolis from 1998 until May 2001, during which time the company brokered more than 100 fraudulent residential mortgages on properties principally in Center Township in Indianapolis. Dailey and other members of the conspiracy, 13 of whom have been convicted, recruited several real-estate appraisers and closing agents to assist in the fraudulent scheme. Basically, the properties were appraised for two to three times their true value. Straw purchasers obtained loans on the property well in excess of their true value, the members of the conspiracy shared the profits and the purchasers defaulted on the loans, leaving the properties abandoned and boarded up. After mortgage lending companies refused to lend money to the Platinum Mortgage customers, Dailey moved to Detroit and opened another mortgage brokerage company, Monumental Mortgage, and continued the scheme there. The total amount of loss attributed to the schemes is more than \$8 million.

February 21st, 2006 – Oakland County, MI – Mortgage fraud losses in Michigan jumped from nearly \$9 million to \$26 million over a two-year period in what has become one of the fastest-growing white-collar crimes in the nation. “These criminals are literally trying to steal the homes out from underneath citizens,” said Oakland County Clerk Ruth Johnson.

June 7th, 2007 – Walworth County, WI – At least 11 Walworth County properties connected to a real estate fraud scheme had “buyers” whose identities were stolen, according to federal documents. Another man was pressured into signing a document that indicated he was going to live in a home he never intended to buy, and another man was paid \$3,000 for use of his identity to secure a mortgage loan, according to a federal search warrant affidavit.

July 17th, 2007 – Detroit, MI – Wayne County officials today announced the convictions of two major property and deed fraud cases in the past three weeks.

September 25th, 2007 – Wayne County, MI – Calling them “heartless and cruel,” Wayne County officials announced charges Monday against three men accused of swindling three senior citizens out of \$600,000 through deed frauds and identity theft. “This case is about acquiring real property through fraud against senior citizens. It appalled me when I found out how much of this is going on,” said Prosecutor Kym Worthy. “This is a huge, huge problem everywhere.”

We can not let these things to happen to us!

- According to the FBI, fraud for profit accounts for 80% of all mortgage fraud cases.
- Most cases of real estate or mortgage fraud involve allegations of forgery, altered documents or identity theft.
- Most victims don’t find out their property has been stolen until the tax bill does not arrive or unless the new lender tries to foreclose the property.
- 2006 losses due to mortgage fraud were estimated to be btw \$946 million and \$4.2 billion.

Types of for-profit mortgage fraud

- Home Equity/Identity Fraud: A forged deed is recorded to give the appearance that the perpetrator has acquired ownership of a property. The perpetrator uses the equity in the property as collateral to borrow money. No payments are made on the new loan(s), and the new owner could face foreclosure.
- Fake/Stolen identity: stolen identities – along with credit histories-are used on a loan application.
- Nominee loans/Straw buyers: The identity of the borrower is concealed by using the name and credit history of a willing accomplice.
- Inflated appraisals – An appraiser acts in collusion with a borrower and provides a misleading appraisal report to the lender. The report inaccurately states an inflated property value.
- Equity skimming - An investor may use a straw buyer, false income documents, and false credit reports, to obtain a mortgage loan in the straw buyers name. Subsequent to closing, the straw buyer signs the property over to the investor in a

quit claim deed which relinquishes all rights to the property and provides no guaranty to title. The investor does not make any mortgage payments and rents the property until foreclosure takes place several months later.

- Property flipping - A buyer pays a low price for property and then resells it quickly for a much higher price. While this may be legal, when it involves false statements to the lender, it is not.

Documents to look for that are commonly forged...

- Deed
- Satisfaction or Re-conveyance
- Power of Attorney
- Mortgage and notes
- Affidavits
- Identification

"If I am elected Recorder of Deeds, one of the first things I will do will be to present a plan to the County Board to help alert the citizens of Kankakee County of possible property fraud. In terms of implementing such a program there are several options the office would be able to explore, such as contracting out the service or provide the service in-house. I will have a report to the full county board within 4 months of my taking office," McLaren added.

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