



Widespread Mortgage Fraud Threatens America's Homeowners, New Report Finds

FILED Document
CO Boulder County District Court 20th JD
Filing Date: Dec 4 2009 3:18PM MST
Filing ID: 28361212

NEW YORK, Mar. 29 2005/PRNewswire/ --

Review Clerk: Nafascha Wise

NEW YORK, March 29 /PRNewswire/ -- A new report released today, Home Insecurity: How Widespread Appraisal Fraud Puts Homeowners At Risk, reveals troubling evidence that many American homeowners and buyers are at financial risk from mortgage appraisal fraud. As a consequence, countless homeowners have borrowed more money than their homes are really worth. The report was conducted by Demos, a leading non-partisan, public policy group headquartered in New York City.

The real estate boom and refinancing craze of recent years has meant record profits for institutions that originate mortgage loans. But this boom has a dark side for unwitting consumers. Many appraisers -- responding to increased pressure from loan originators in a highly competitive marketplace -- are inflating property values during the buying and refinancing of homes.

"Appraisal fraud is part of a bigger, more ominous picture," says David Callahan, Home Insecurity author and Director of Research at Demos. "As home prices have continued to increase above inflation, even nearing 20 percent per year in some cities, American homeowners are vulnerable as never before to financial ruin if home prices fall to their natural market value."

"To make matters worse an increasing number of Americans have reduced the equity in their home to meet rising living expenses, like education and health care, or to pay off credit card debts. From 2001 to 2004, homeowners pulled out a staggering \$485 billion worth of equity, and the trend is expected to continue. It is beginning to look like the American dream of financial security through homeownership is becoming a myth for far too many."

The data and findings of the Home Insecurity report were based on a number of sources, including: the National Association of Realtors statement before a Senate subcommittee in March, 2004, detailing how the problem of lender pressure and appraisal fraud had worsened; a petition sent by 8,000 appraisers to the Federal government complaining that the lending industry had applied pressure on them to exceed values; and the testimonials of individual appraisers about such abuses.



Among the Report's Key Findings: * Serious conflicts of interest pervade the mortgage industry, stemming largely from the refinancing craze. Lenders, brokers and real estate agents have an increased incentive to inflate the value of residential properties. * Appraisal fraud often encourages homeowners to borrow more money than their homes are worth, putting them at risk of not being able to sell for a high enough price to pay off their mortgage. * Up to half of all property appraisers have reported feeling pressure from lenders or brokers to overstate property values. Appraisers who have not complied with strong-arm tactics report not being paid for work and being blacklisted. * The inflation of home prices through appraisal fraud may be helping to push real estate prices up to unsustainable levels and contributing to a housing "bubble." * Predatory lending targeting minority and low-income aspiring homeowners often involves appraisal fraud. Developers collude with dishonest appraisers in the aggressive marketing of new homes offered at inflated prices. * Government oversight of the appraisal process is woefully inadequate. Key participants in the mortgage industry are unregulated in many states and oversight of lending institutions is weak. State boards that license appraisers and investigate reports of fraud often lack enough resources to enforce existing laws. American Dream of Homeownership Could Become Nightmare of Foreclosure

The Demos report highlights several worrying undercurrents beneath an apparently