

The Great Land Fraud Tour

2007 MBA Ohio

2008 Florida PRIA NACRC MBA AEA PRIA
IACREOT

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Washington, DC
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The Land Fraud Criminal Quiz

- How many land fraud criminals are out there in the U.S.?

10,000

25,000

50,000

100,000

250,000

How Big Is the Problem?

In 2006 per the FBI—

- Bank Robbery-2006 \$73,000,000
7,000 criminals
- Mortgage Fraud-2006 \$4,200,000,000
24,000 criminals (48,000 in 2007)

And that's just mortgage fraud...

Purpose of Land Fraud

The purpose of land fraud is to illegally monetize the value of real property through sale or mortgaging of a property.

Some schemes are not land fraud, but financing-related fraud conducted by financial intermediaries (eg, excessive origination or closing fees).

Mortgage fraud is not necessarily land fraud.

Types of Land Fraud

The experts define two types of land fraud:

- **Fraud for Property**—Buyer lies about his finances in order to obtain funds to purchase property. This is pure mortgage fraud.
- **Fraud for Money**—Perpetrator monetizes land fraud under false pretenses by sale (pure land fraud) or mortgaging (mortgage fraud).

Who Initiates Land Fraud?

- Owner/Seller (Real or Bogus)
- Buyer/Borrower (Real or Bogus)
- Agent (Broker or Title/Closing)

(And, no criminal does it just once.)

Land Fraud Techniques

Individual

1. Steal the property
2. Steal an identity
3. Misrepresent financial facts (Mortgage Fraud)
4. Multiple loans (Mortgage Fraud)

Group (Conspiracy)

1. Misrepresent financial facts (Mortgage fraud)
2. Fraudulent notarization (Mortgage Fraud)
3. Fraudulent appraisal (Mortgage fraud)
4. Sham (straw) buyer

Identity Theft

- Steal Individual Identity
 - Owner
 - Notary
 - Professional (appraiser, mortgage broker, etc.)
- Steal Business Identity
 - Mortgage Broker
 - Appraisal Firm

THIS IS YOUR MEDICARE CARD. IT SHOWS IF YOU HAVE HOSPITAL INSURANCE, MEDICAL INSURANCE, OR BOTH. IT IS FOR YOUR USE ONLY. SHOW YOUR CARD WHEN YOU RECEIVE HEALTH SERVICES. ON ANY CLAIMS, BILLS OR CORRESPONDENCE BE SURE TO USE YOUR NAME AND CLAIM NUMBER EXACTLY AS SHOWN ON THIS CARD.

*****AUTO** 3-DIGIT 852



0208 RE 02 B 012200 030

① CARL R ERNST
21950 N 90 ST
SCOTTSDALE AZ 85255-5045

MEDICARE



HEALTH INSURANCE

1-800-MEDICARE (1-800-633-4227)

NAME OF BENEFICIARY

CARL R ERNST

MEDICARE CLAIM NUMBER

124-32-0286-T

IS ENTITLED TO

SEX

MALE

EFFECTIVE DATE

HOSPITAL (PART A)

03-01-2007

MEDICAL (PART B)

03-01-2007

SIGN
HERE

→ Carl R Ernst

③ Age.

②

124320286T

③

0208 1 L

Who/What Facilitates Land Fraud

- Agents
 - Mortgage Brokers
 - Title Insurance and Escrow Agents
 - Attorneys
 - Notaries Public
 - Appraisers

Shortcomings in the system of checks and balances in the land transaction process facilitate fraud.

Who/What Facilitates Land Fraud (Con't)

- Lenders
- Owners
- Investors (Straw Buyers)
- The Recording System
- The Law
- Courts

Co-Conspirators or Dupes?

- Appraiser
- Notary Public (Conspirator, Duress or incompetence)
- Title/Closing Agent
- Real Estate Broker
- Owner
- Lender
- Courts

A co-conspirator purposely evades the system of checks and balances. A dupe unintentionally exposes a shortcoming in the system of checks and balances.

What Can Recorders Do?

- Eliminate recording delays.
 - Be aware of odd recordings, red flags.
 - Discover transaction and mortgage tax cheating.
 - Discuss land fraud in PREP meetings.
 - Use physical methods to deter walk-in fraud.
 - Notify landowners of documents recorded that relate to their property.
 - Encourage legislation to make all types of land fraud felonies.
 - Educate other public agencies and encourage their cooperation.
- (P.S. My opinion is that gatekeeping functions should be kept to a minimum, but that heuristic programming can raise red flags.)

Victims

- Owner
- Buyer
- Title/Closing Agent
- Lender
- Neighborhood
- Trust in Real Estate Professionals
- Trust in the Land Ownership System
- Trust in Legal System, including Courts

Follow the Documents

- Every land fraud leaves a paper trail.
- Every land fraud generates documents/records with fraudulent content.
- Every land fraud begins or ends with one or more documents recorded on the public record.

Crumbs on the Public Record

- Conveyance to trust (non-owner trustee)
- Conveyance to other fictitious entity (LLC, etc)
- Quit claim deed
- Borrower financing history
- Buyer property ownership history
- Seller property ownership history
- Property sales (flipping)-overvaluation/undervaluation
- Fraudulent deed
- Fraudulent abstract of judgment
- Fraudulent lis pendens
- Fraudulent power of attorney
- Fraudulent affidavit (eg, purchase agreement)
- Fraudulent UCC financing statement
- Fraudulent notary

Crumbs on Other Records

- Loan application with misrepresentations
- Fraudulent appraisal
- Fraudulent terms and/or settlement statement
- Fraudulent signatures
- Fraudulent HUD-1
- Borrower financing history (eg, MERS)
- Buyer property ownership history
- Seller property ownership history
- Property sales (flipping)-overvaluation/undervaluation

Where to Find the Crumbs

- Land recording offices index and documents
- Title plants
- State land records indexes (eg, Iowa, Georgia)
- Court records
- Proprietary property conveyance transaction databases
- Proprietary owner history databases
- Proprietary court record databases (tax liens, judgments, bankruptcy)

Where to Find the Crumbs (Con't)

- Title agent records
- Title company records
- Lender internal records
- Fraud scheme news reports
- MARI database
- Other proprietary databases (Shotgunning/Loan stacking)
- SARS (FBI) database
- MERS database

Clouding Chain of Title

Subject to Fraud

- Statutory Lien Notice (eg, Mechanics Lien
- (Abstract of) Judgement
- Notice of Lis Pendens
- Notice of Default (Foreclosure Notice)
- UCC Financing Statement

- Tax Lien Notice

Destroying Chain of Title

- Quit Claim Deed (forgery)
- Transfer to Trust (trustee not owner)
- Transfer to LLC (unknown LLC owner)
- Power of Attorney (forgery)
- Anything else?

Property Address	Transaction Date	Databased Date
1008 RUSSELL AVENUE NORTH MINNEAPOLIS, MN 55411	1/6/2006	1/23/2006
1008 RUSSELL AVENUE NORTH MINNEAPOLIS, MN 55411	1/6/2006	1/23/2006
1027 VAN BUREN AVENUE SAINT PAUL, MN 55104	1/13/2006	1/19/2006
1027 VAN BUREN AVENUE SAINT PAUL, MN 55104	1/13/2006	1/19/2006
3011 LOGAN AVE N MINNEAPOLIS, MN 55411	2/8/2006	2/16/2006
3011 LOGAN AVE N MINNEAPOLIS, MN 55411	2/8/2006	2/16/2006
3646 DUPONT AVENUE N MINNEAPOLIS, MN 55412	2/13/2006	2/14/2006
3646 DUPONT AVENUE N MINNEAPOLIS, MN 55412	2/13/2006	2/14/2006
620 PENN AVE N MINNEAPOLIS, MN 55411-5411	2/16/2006	2/23/2006
620 PENN AVE N MINNEAPOLIS, MN 55411-5411	2/16/2006	2/23/2006
2024 QUEEN AVE N N MINNEAPOLIS, MN 55411	2/24/2006	3/2/2006
2607 GIRARD AVENUE NORTH MINNEAPOLIS, MN 55411	2/27/2006	3/4/2006
618 E 37TH STREET MINNEAPOLIS, MN 55407	2/27/2006	3/1/2006
1919 WILLOW AVE N MINNEAPOLIS, MN 55411	3/20/2006	3/23/2006
1919 WILLOW AVE N MINNEAPOLIS, MN 55411	3/20/2006	3/23/2006
2501 KYLE AVENUE NORTH GOLDEN VALLEY, MN 55422	4/14/2006	4/15/2006
2501 KYLE AVENUE NORTH GOLDEN VALLEY, MN 55422	4/14/2006	4/15/2006

How to Fight Land Fraud?

Law enforcement alone cannot prevent land fraud.

The legislatures alone cannot deter land fraud.

Lenders and closing agents alone cannot detect land fraud.

To fight land fraud, all segments of government and industry must cooperate.

Cooperation Is a Key

Local Government

1. Recorders
2. Assessors/Tax Collectors
3. Law Enforcement

State and Federal Government

1. Law Enforcement
2. Mortgage Professional Licensing
3. Notary Commissioning
4. Legislature

Cooperation Is a Key (Con't)

Industry

1. Title Abstractors
2. Title Insurers/Closing Agents
3. Title Plants

Title Underwriter

4. Mortgage Brokers
5. Lenders
6. Notaries Public
7. Appraisers
8. Consumer Representatives

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- Be aware of odd recordings, red flags.
- Discover transaction and mortgage tax cheating.
- Discuss land fraud in PREP meetings.
- Use physical methods to deter walk-in fraud.
- Notify landowners of documents recorded that relate to their property.
- Encourage legislation to make all types of land fraud felonies.
- Support legislation to tighten licensing and commissioning requirements for professions and notaries public.
- Educate other public agencies and encourage their cooperation.

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