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Mortgage Fraud an Epidemic?

Mortgage fraud has become an epidemic in the USA. According to a 2006 Financial Crimes Network Enforcement agency report on mortgage fraud, FinCEN stated that “Mortgage loan fraud is growing because it can be very lucrative and relatively easy to perpetrate, particularly in geographic areas experiencing rapid appreciation.” The FBI estimates annual losses attributed to mortgage loan fraud at \$4 billion to \$6 billion but because the crime of mortgage fraud is under reported, the actual figures are probably much higher. The FBI has reported that in almost every one of its fraud cases— money laundering has been involved.



There are many ways in which real estate can be used to hide fraudulent financial dealings. Real Estate has always been considered the gold standard for hard assets in a business deal. So when a doctor is looking to get a loan to open a medical clinic of his own or buy that new ultrasound machine, the lender will often ask that the loan’s equity be backed by real estate property. Many young aspiring doctors and even more experienced ones find themselves in a maze of paperwork and financial transactions just to get their practices started. But do not worry, there are a host of lenders eager to get you started in your new business or medical clinic. Beware of the easy cash lure!!! Those easy credit terms with the insistence that you purchase a home or land or a clinic building along with the client records and business name, might actually be an offer of mortgage fraud. Many of the transactions involved in the transfer of assets from one doctor to another in a medical practice business sale are not regulated transactions and thus lend themselves to money laundering activity. Often these business contracts look very enticing but in reality are a scheme to defraud the innocent unsuspecting doctor. No one goes to medical school to learn accounting. Doctors usually learn the “business of medicine” by being plunged into it. Many types of fraud require the complicity of the small business owner in order to perpetrate the fraud. Of course there are (unfortunately) also doctors and other medical professionals who are actively criminally involved in the mortgage fraud or money laundering scheme. Mortgage fraud and the “fast cash” associated with it makes it an appealing way to hide drug trafficking profits, money for terrorism and other kinds of organized crime, even prostitution.

Who to Call:

The Federal Bureau of

Investigation (FBI)

<http://www.fbi.gov/>
(202) 324-3000 – National FBI

Financial Institution Fraud Unit

The Federal Trade Commission (FTC)

<http://www.ftc.gov/> and
www.consumer.gov/idtheft and
[To file complaint](#)
Consumer Response Center
600 Pennsylvania Avenue, N.W.
Washington DC 20580
Toll Free Phone: (877) 438-4338 –
Identity Theft Clearinghouse
Consumer Response Center: (877)
382-4357

The National Association of

Attorneys General

<http://www.naag.org/issues/issue-consumer.php>
750 First Street, NE, Suite 1100
Washington, DC 20002
Phone: (202) 326-6000
Fax: (202) 408-7014

Importance of Documents as Evidence



Illegal income obtained from Mortgage Fraud is often money laundered in order to hide the illegal profits from the government and evade tax liability. Money laundering is simply the process by which illegally gained income is made to appear to be legitimately earned. Money launderers are highly motivated and are constantly adapting and creating new methods to perpetuate their schemes. Because financial organizations are often involved in the money laundering scheme, it has become very difficult to detect the source of the illegal money. Several different Federal Agencies (FBI, DEA, IRS, US Customs and others) can be involved in a financial investigation. These special financial investigation agents use a variety of investigative techniques to disrupt and dismantle, through investigation, prosecution and asset forfeiture, the country's major drug and money laundering organizations.

Financial investigations are by their nature very document intensive. Specifically, they involve records, like bank account information and real estate files, which point to the movement of money. It is true that one must "follow the money". Any record that shows the paper trail of events involving money is important. The major goal in a financial investigation is to identify and document the movement of money during the course of a crime. The link between where the money comes from, who gets it, when it is received and where it is stored or deposited, can provide proof of criminal activity.

Hopefully the tracing of this kind of financial records can lead the investigation to go right to the door of the mortgage fraud real estate broker or the leader of a narcotics organization. A complete financial analysis and reconstruction of an organization's financial activity can often be critical to making the conviction. Mortgage fraud, public corruption, health care fraud and even drug trafficking are crimes dealing with or motivated by money. Investigating a sophisticated financial crime is document intensive – without documentary proof there is no indictment and no conviction.



Money Laundering Control Act of 1986

The IRS investigates and recommends criminal prosecution for violations of Title 18, United States Code, Sections 1956 and 1957. These statutes make illegal certain financial transactions constituting laundering, hiding, or use of proceeds generated through specified unlawful activities, such as narcotics trafficking and embezzlement, among others.



Bank Secrecy Act

The Currency and Foreign Transactions Reporting Act, **Public Law No. 91-508, Title II**, along with financial institution record-keeping requirements, became known as the Bank Secrecy Act (BSA). The BSA mandates the reporting of certain currency transactions conducted with a financial institution, the disclosure of foreign bank accounts, and the reporting of the transportation of currency exceeding \$10,000 across United States borders.



Fraud for Profit

Fraud for profit involves the misuse of information with the intent to deceive or mislead a lender into extending credit. The criminals of this kind of fraud usually had no intention to purchase or repay the lender but instead had intended to abscond with the proceeds of the loan and disappear. This kind of mortgage fraud is usually done with the covert assistance of real estate industry insiders such as mortgage brokers, real estate agents, property appraisers and settlement agents who can be attorneys and title examiners. These schemes are very well-planned and organized. The plan usually involves rapidly reselling or “flipping” the property often at a very inflated price, sometimes in just a few days or a few months. There are usually multiple misrepresentations on the mortgage loan paperwork. These flipping schemes often involve what are called “straw buyers” who are paid for their part in the scheme. They pose as loan applicants and the loans are based initially on their credit information. The “straw buyer” signs the documents that contain the false information. Once the loan is secured the person doing the fraud generally assumes the title to the property.

Mortgage Fraud Techniques

Foreclosure rescue. Often targets for this kind of fraud are already facing foreclosure or in financial distress in their business. In this fraud scheme a lender is eager to buy you out of your financial problems by offering a loan initially for small payments and then perhaps escalating to larger payments or even a balloon payment. The borrower is told that when they are on firmer ground, the borrower can buy back the equity and the lender will sell the home or property back to the borrower. But the huge balloon payment at the end of the honeymoon period is something that the borrower is absolutely never going to be able to pay. The cost of the loan is always adjusted so that the lease payments are always higher than the mortgage so the borrower is unable to keep up the payments and eventually loses the home or property to eviction. This is just a fraud to skim all the equity out of the home or business property. The fraudster forecloses and walks away with all the equity in the home.

Reverse fraud for property. This involves the seller who scams the buyer into purchasing an un-saleable property. This can involve a medical practice owner selling his/her practice with lenient self financing to inflate the purchase price and drawing in a straw buyer to purchase it.

Fraudulent bail-outs to developers. False sales to straw buyers are made as bailouts to cash-strapped developers of shopping centers who cater to medical clinics and dental offices

Identity Theft – This fraud involves assuming another’s identity in order to forge signatures on documents in order to transfer the property and steal the house from the real owner.



SAR

Suspicious Activity Report SAR— Form TD F 90-22.47

These reports are filed by financial institutions on transactions or attempted transactions involving at least \$5,000 that the financial institution knows, suspects, or has reason to suspect the money was derived from illegal activities.



Medical Whistleblower

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We are on the Web!

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Asset Forfeiture

The asset forfeiture program is one of the federal government's most effective tools against drug trafficking, money laundering, and organized crime. Asset forfeiture statutes are used to dismantle criminal enterprises by seizing and forfeiting their assets. Most seizures and forfeitures are the result of **Title 18 and **Title 31** money laundering and currency investigations.**

The IRS Warns — Buyer Beware

- ◆ Sales found where the contract/sold price is significantly higher than the listing price.
- ◆ Situations where persons involved in the transaction process have pressured, coerced, attempted bribing the real estate professional to consider doing something that might be illegal or unethical.
- ◆ Builder, developer, seller HIDDEN incentives cash back deals, or concessions.
- ◆ Small business contract sales with lots of “Blue Sky” and overvalued land, equipment, or building assets
- ◆ Real estate agents assist buyers who would not otherwise qualify by fabricating their employment history or credit record
- ◆ One settlement statement is prepared and provided to the seller accurately reflecting the true selling price of the property. A second fraudulent statement is given to the lender showing a highly inflated purported selling price. The lender provides a loan in excess of the property value.
- ◆ Properties where there appears to be a concerted effort to ‘shop for value’.
- ◆ Suspicious investor activity regarding real estate developers.
- ◆ Articles and reports regarding recent fraudulent activity.