

Florida No. 1 in mortgage fraud; foreclosures up 60%

By Alan Zibel, AP Business Writer

WASHINGTON — Florida led the nation in mortgage fraud in 2007, a dubious distinction it's had two years running.

The competition to be first in fraud is getting stiffer as the housing downturn persists and agencies nationwide report more suspect mortgages, according to industry data released Thursday.

Nevada ranked second in mortgage fraud, up from No. 6 a year earlier in the Mortgage Asset Research Institute's annual report. It was followed by Michigan, California, Utah and Georgia. Virginia made its debut on the report's top 10 list, coming in at No. 7.

The report, released at a Mortgage Bankers Association conference in Chicago, did not detail the number of fraud cases by state or nationwide. Instead, the group calculated a "fraud index" by comparing fraud reports with the number of home loans made in each state.

It cited FBI statistics showing 46,700 mortgage fraud reports in 2007, up more than 30% from the year before and twice as many as in 2000. Federally insured lenders are required to report fraud to the government.

Mortgage fraud has represented about \$1 billion in losses the past decade, the Mortgage Bankers Association said.

Common kinds of mortgage fraud include misrepresentations of income, employment history, and falsified tax returns or financial statements .

David Kittle, chairman of the mortgage bankers' group and chief executive of Principle Wholesale Lending in Louisville, says the industry does not blame borrowers alone for committing fraud. He says real estate agents, mortgage brokers, builders and lenders all share responsibility for a climate of lax standards that has now ended.

"There's enough responsibility to go around to everybody," he said in a conference call with reporters.

The Mortgage Bankers Association is calling for more than \$31 million over the next five years in new funding for the FBI and Justice Department to fight mortgage fraud, money that would go to new investigators and prosecutors.

The report came from an industry database that includes information about fraud and fraud allegations collected from approximately 700 mortgage companies, from finance giants Fannie Mae and Freddie Mac to midsize lenders.

Merle Sharick, a vice president with ChoicePoint, which owns the Mortgage Asset Research Institute, said fraud has become more evident now that the industry is examining loans that are in foreclosure and default. "When times are good and the market is roaring, fraud is not as evident," he said.

Sharick also noted that the industry has traditionally worried more about organized schemes to defraud lenders, rather than borrowers misrepresenting their income. But now, with property values falling "a lot more instances" of fraud committed by borrowers who were simply stretching to buy bigger homes and are now stuck with properties they can't afford.

In a separate report Thursday, research firm RealtyTrac said nearly 60% more U.S. homes faced foreclosure in February than in the same month last year, with Nevada, California and Florida showing the highest foreclosure rates.

A total of 223,651 homes across the nation received at least one notice from lenders last month related to overdue payments, up 59.8% from a year earlier, according to RealtyTrac.

Nearly half of the homes on the list had slipped into default for the first time.

February's total represents a 4% dip from January, but the decline was just a seasonal blip, said Rick Sharga, RealtyTrac's vice president of marketing.

"We seem to be settling in at a new plateau in terms of monthly activity, but it's a much higher plateau than we were at a year ago," he said.

February marked the 26th consecutive month with a national year-over-year increase in foreclosure-related filings.

In the 12-month period ended in February, 45 states saw an increase in the number of homes that had received at least one filing.

Nevada had the nation's highest foreclosure rate, with one in every 165 households receiving at least one foreclosure-related notice. It had 6,167 properties facing foreclosure, a 68% increase from a year earlier and up 1% from January, RealtyTrac said Wednesday.

Most of the troubled properties were in California, Florida, Texas, Michigan and Ohio — states where home prices have plunged as the housing boom went bust.

The overall U.S. foreclosure rate last month was one filing for every 557 homes.