

Press Releases

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OTS 06-042 - OTS Director Reich Stresses Vigilance in Combating Mortgage Fraud

Office of Thrift Supervision

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Contact: Kevin Petrasic

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OTS Director Reich Stresses Vigilance in Combating Mortgage Fraud

WASHINGTON, D.C. -- Office of Thrift Supervision Director John Reich today addressed the issue of mortgage fraud at a joint conference of the Ohio Bankers League and the Illinois League of Financial Institutions in Colorado Springs, CO. Reich discussed the proliferation of fraudulent activity in the mortgage industry attendant to the mortgage boom, and the ways in which bankers and regulators can identify and fight mortgage fraud. He stressed that both borrowers and lenders are victimized by mortgage fraud. In addition, entire neighborhoods may suffer ill effects if mortgage fraud leads to high foreclosure rates.

Director Reich identified three primary types of mortgage fraud: fraud by lenders (predatory lending), by borrowers (to secure a loan), or by brokers and other mortgage professionals (fraud for profit). He noted that, while innovations in mortgage lending have produced efficiencies and competition that are often good for lenders and borrowers, "today mortgage loan decisions are made remotely, usually by loan officers with no first-hand knowledge of the property, borrower or seller in a transaction." This level of anonymity - in which borrowers are simply a credit score - has helped make the process at once more "user" friendly" and more "abuser" friendly, said Reich.

He stressed the importance of collaborative efforts between lenders, borrowers, real estate professionals, law enforcement, community leaders and regulators in combating predatory lending and mortgage fraud.

"I urge all of you to familiarize yourselves with all of the aspects of mortgage fraud; to understand the red flags; to be vigilant with third parties involved in the lending process; and to develop systems and controls that aid in the detection and prevention of mortgage fraud," Reich stated.

A copy of Director Reich's speech is available at the OTS website at www.ots.treas.gov

Director Reich's Speech - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2006-42a.pdf>

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The Office of Thrift Supervision, an office of the Department of the Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of, and compliance with consumer protection laws by, thrift institutions, and to support their role as home mortgage lenders and providers of other community credit and financial services. OTS also oversees the activities and operations of thrift holding companies that own or control thrift institutions. Copies of OTS news releases and other documents are available at the OTS web page at www.ots.treas.gov.