



# Insurance and Mortgage Fraud For Profit

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Bankers Insurance Service

## Fidelity Bonds

## Fidelity Bond Coverage

- **DISHONESTY**
  - » Covers loss due to **dishonest acts by your employees**. Some fidelity bonds also cover the acts of:
    - *Closing agents and outside attorneys*
    - *Independent contractors*

## Fidelity Bond Coverage

- **THEFT OF INVESTORS MONEY OR COLLATERAL**
  - » Covers losses incurred when your firm becomes legally liable to Fannie Mae, Freddie Mac or Ginnie Mae for a theft committed by a sole proprietor, partner or major shareholder. Thefts covered include:
    - *Double pledging of collateral*
    - *Money which should have been deposited in a custodial account*

## Fidelity Bond Coverage

- **FORGED DOCUMENTS**
  - » Covers a lender's legal liability to repurchase a real estate loan from an Investor as a result of a forged signature or fraudulent alteration on:
    - *Real estate documents involved in a loan originated or underwritten by the insured*
    - *Examples of covered real estate documents include the original mortgage, trust deed, note, title policy, VOE, VOD, loan application, survey, appraisal, etc.*

# Mortgage Investor Bond

## Mortgage Investor Bond

- **FIDELITY CLAUSE**
  - » Expands traditional fidelity coverage by treating employees of mortgage origination firms as employees of secondary market investors or warehouse lenders.
  - » Protects secondary market investors and warehouse lenders against dishonesty on the part of the loan originator.

## Mortgage Investor Bond

- **FRAUDULENT MORTGAGE CLAUSE**
  - » Covers direct financial loss suffered by secondary market investors and warehouse lenders resulting from the loan originator's reliance on mortgage documents which prove to be fraudulent.

# Application Fraud Warranty Coverage

## Application Fraud Warranty

- **POLICY COVERAGE:**
  - » **Covered loans** – residential loans scored > 600 using Interthinx® fraudGUARD®
  - » Originated during 12 month policy period
  - » Losses up to \$100,000 per loan subject to originator aggregate limit
  - » Claims arising from foreclosure initiated within 3 years of origination, where borrower fraud occurred within original application

## Application Fraud Warranty

- **POLICY COVERAGE (continued):**
  - » Coverage for loss resulting from short sale can be negotiated
  - » No requirement for repurchase investor/servicer can claim directly against the policy
  - » Policy travels with the loan. Whoever owns the loan is the Insured

## Application Fraud Warranty

- **ORIGINATOR BENEFITS:**
  - » Preferential loan sale pricing
  - » Reduced repurchase exposure
  - » Released capital from loss reserves
  - » Increased liquidity

## Application Fraud Warranty

- **INVESTOR BENEFITS:**
  - » No direct costs
  - » Enhanced value of asset (loan) purchased
  - » Reduced reliance on originator for recovery of loss

Thank you.