

# Administration of Fraud Claims

- Servicers must follow the loss mitigation language in Investors Pooling & Servicing agreements (“PSA”) agreements or the bank’s internal loss mitigation policy
- Increased levels of servicer surveillance from regulators, public interest groups, parent companies, MI companies, Investors, etc. have increased the level of scrutiny on mortgage servicers.
- Adding to servicer overload is the complexity of the securitization agreements, the “loss development period”, trailing accounting, etc.
- Non specific loss mitigation language in PSA agreements have now been modified (prospectively).
- Mortgage Insurance companies have increased the level of investigation to detect instances of origination fraud.
- Denied MI claims have increased investor losses.
- Net result is that Correspondents, Brokers , and Loan Officers have seen increased put-back levels from the Mortgage Servicers.

## New “Frauds”

- Increased scrutiny is now on the “front end”
- Several major originators have invested (or are investing) in new LOS systems
- The new systems include more advanced fraud “screens “ ( office control improvements for smart loan routing, ability to tie into commercially available fraud detection services, etc.)
- Investors (includes the GSE’s ) have also made origination data integrity a major initiative.
- Investor front-end scrutiny has increased the potential for “scratch & dent” loans.