

## Fighting Mortgage Fraud

### What is MERS® FraudALERT?

For the first time, a true industry utility is now available to help in the fight against mortgage fraud. MERS® FraudALERT reduces the risk of residential mortgage fraud from the point of origination by facilitating the sharing and reporting of key data. Subscribers can submit loan application data in real time. They can also submit incident reports, identifying suspicious activity and confirmed fraud, which is matched against all loan data. Subscribers receive notification alerts of potential fraud on a daily basis. All this information is retained for the life of the loan, even as the loan moves to new servicers or investors.

### How does MERS® FraudALERT fight fraud?

**Wide scope fraud prevention:** public utility that allows sharing of incident reports that document confirmed fraud or suspicious activity for the entire industry throughout the mortgage lifecycle

**Private and secure:** allows access only to the loans in the subscriber's own inventory and masks sensitive, personally identifying data from non-rights holders

**Real-time monitoring:** enables originators, servicers and investors to quickly identify and remediate fraud through daily monitoring

**Improved loan quality and processes:** enhances origination of high quality loans by quickly identifying questionable loans

**Comprehensive data:** collects a robust amount of loan information, including the subject property, borrower, seller, appraiser, real estate agent and all other loan participants, along with their identifying information

**Constant monitoring platform:** performs continuous checks of all loans each time a new incident report is submitted or updated, then flags any matches and notifies the applicable subscriber(s)

### PUSH vs. PULL

**Are you doing everything possible to prevent mortgage fraud? As you buy and sell loans, MERS® FraudALERT will be your eyes through the mortgage banking system, monitoring your portfolio 24/7 and pushing reports to you as potential fraud is found in your world.**

**Shares pertinent information:** incident reports document confirmed fraud or suspicious activity; identifies six essential elements of information—**Who? What? When? Where? Why? and How?**—of the activity being reported.

**Automated notification:** compares loans against incident reports and matches data between the two, then alerts subscribers (e.g., originators,

servicers, investors) if their loan(s) matches any items on the report

**Seamless MERS integration:** utilizes the MERS® System, which has been adopted by virtually all major originators, servicers and investors, to track the current and historical servicer; search, view and update information; and receive notification alerts on any impacted loan(s) from the more than 65 million registered on the MERS® System

**Integrated platform:** allows submissions via the Internet, file transfer protocol (batch files) and a special user interface

**Powerful matching capability:** uses name-matching logic that identifies and highlights intersections with previously submitted information on incident reports

**Easy administration functions:** lets subscribers easily manage user access rights within their own organization

## Frequently Asked Questions

### Q: How exactly does MERS® FraudALERT work?

A. Subscribers using MERS® FraudALERT will submit loan application data and incident reports containing suspicious activity or confirmed fraud to a centralized database. The system will then notify other subscribers who have loans that may have connections to the data, alerting them to possible fraudulent activity in their inventories.

### Q: How do I become a MERS® FraudALERT subscriber?

A. Please contact us at 800-646-6377.

### Q: If I am NOT a MERS member, can I become a subscriber?

A. No. You need to become a MERS member and obtain a valid MERS Org ID to utilize MERS® FraudALERT.

### Q: How is loan data submitted to MERS® FraudALERT?

A: Upon registering their loans on the MERS® System, members submit loan data through their existing connection to MERS with new data fields specifically for MERS® FraudALERT.

### Q: How are subscribers notified when there is suspected fraudulent activity associated with one of their loans?

A. Notification alerts are sent twice a day via email.

### Q: How is the data secured?

A. All data submitted to and stored in MERS® FraudALERT is secured during each step of the process. All traffic to the Internet is sent over a secure connection and the data is secured in an encrypted database.

### Q: What types of fraud are monitored?

A: All loans submitted are monitored for any related data contained within incident reports that are filed to document suspicious activity (from reliable sources and those with cred-

ible evidence) and confirmed fraud (which is linked to a court case or report from law enforcement agency).

### Q: How are incident reports submitted and updated?

A. Subscribers submit and update incident reports through the MERS® FraudALERT website or in a batch transmission.

### Q: What happens to my loan data once I submit it?

A: Loan data is checked against all reported incidents and the parties associated with the incidents. If a match is found, you will receive an alert that identifies the issues. If no matching incidents are found, your loan will be continually monitored against all new incident reports as they are submitted.

### Q: Are subscribers who submit incident reports identified?

A. The identity of a subscriber submitting an incident report is not disclosed to other subscribers.

### Q: Who can update an incident report?

A. Only the submitting subscriber. Access is administered by the subscriber at the organization- and user-level. Only those with an "Update" permission designation within their organization may update a loan. It is required that if subscribers learn new information related to an incident report, they will update the incident report to ensure that the most current and accurate information is available for sharing with other MERS® FraudALERT subscribers.

### Q: What types of data are in an Incident Report?

A. Subscribers agree to provide appropriate narrative detail with each incident report that identifies six key pieces of information—**Who? What? When? Where? Why?** and **How?**—of the activity being reported.

### Q: How can I view possible fraud incidents if I miss a notification?

A: All notification alerts are sent via email and remain in your inbox until you delete it. Additionally, you can receive a report of all your notification alerts upon request.

### Q: Who can make updates to loan data?

A. Only subscribers who are rights holders on a loan (e.g., servicers, subservicers, investors) can make loan data updates.

### Q: How long will loans I submit be monitored?

A. Loans will be monitored for the full life of the loans.

### Q: Can other fraud detection vendors plug into MERS® FraudALERT?

A. The power of MERS® FraudALERT is in the ability of subscribers to use any third-party fraud-detection vendor of their choice to access the data and report suspected fraudulent activity. MERS® FraudALERT was designed with an open interface and the flexibility to provide access to all widely-used fraud-prevention vendors, allowing them to leverage the data.

### Q: Does the Fair Credit Reporting Act (FCRA) apply to the accuracy of the information referenced by MERS® FraudALERT?

A. Yes, because information obtained from MERS® FraudALERT may be used by members to make loan and employment decisions. In addition, under the FCRA, MERS will respond to requests to correct certain information used by MERS® FraudALERT.

MERSCORP, Inc.  
1818 Library Street  
Suite 300  
Reston, VA 20190  
800-646-6377  
www.mersinc.org

## Fee Schedule

For current MERS members, using MERS® FraudALERT is not subject to an additional membership fee.

TRANSACTIONS (See notes below)	PRICE PER LOAN
MERS® FraudALERT loan registration <sup>1</sup>	\$1.17
MOM/Non-MOM loan registration <sup>2</sup>	\$10.78
Monitoring fee <sup>3</sup>	See below

### NOTES

1. This is the initial application or pre-closing fee.
2. This fee applies if you convert a MERS® FraudALERT loan to a MOM (MERS as Original Mortgagee) or Non-Mom (assigned to MERS in the land records) loan.
3. Fees are assessed for the 24/7 monitoring of your portfolio against suspicious activity and confirmed fraud. The following monthly fee schedule applies:

No. of MINs*	Monthly Charge
0 – 1,000	250.00
1,001 – 5,000	500.00
5,001 – 10,000	1,500.00
10,001 – 100,000	2,500.00
100,001 – 500,000	7,500.00
500,001 – 1 million	15,000.00
1,000,001 – 5 million	30,000.00
Over 5 million	Call for quote

*\*Applies to your entire loan portfolio registered on the MERS® System.*

## **MERS<sup>®</sup> FraudALERT Addendum to MERS Terms and Conditions**

MERS<sup>®</sup> FraudALERT is a national fraud prevention database that facilitates the sharing and reporting of key data that will help Members to identify and prevent fraud. MERS<sup>®</sup> Fraud Alert is operated by MERSCORP, Inc., which also owns and operates Mortgage Electronic Registration Systems, Inc., (collectively, MERSCORP, Inc., and Mortgage Electronic Registration Systems, Inc., are referred to as “MERS”).

### **I. Service Provided**

- A. This Addendum reflects your agreement to participate in MERS<sup>®</sup> FraudALERT and is entered into by MERS and the member whose name appears in the signature block of this Addendum (the “Member”).
- B. MERS<sup>®</sup> FraudALERT will not make conclusions as to whether an individual or entity is, or has engaged in mortgage fraud, but will notify Members of possible matches between loan data and data contained in incident reports that Members may want to investigate further.
- C. The Member will have access to the secure data storage and notification alert services of MERS<sup>®</sup> FraudALERT, with the assurance that all of the Member data submitted and stored is maintained in a secure and confidential environment.
- D. MERS<sup>®</sup> FraudALERT will store all Loan Data Submission (LDS) and Incident Report (IR) transactions submitted by a Member or Member Agent, confirm transaction receipt and generate notifications as appropriate based on data within MERS<sup>®</sup> FraudALERT.
- E. MERS<sup>®</sup> FraudALERT will generate a Notification Alert (NA) transaction to all Members that have an interest in a loan that a particular Incident Report (IR) is associated with a particular loan or loans, with individuals associated with a particular loan or loans, or with an entity identified in the Incident Report, indicating the existence of possible suspicious activity to be investigated.
- F. MERS<sup>®</sup> FraudALERT will have the ability for a Member to designate and uniquely identify a Member Agent that will act as an agent operating on behalf of the Member organization. All information submitted by a Member Agent will be identified as such, and identified as a submission on behalf of the Member organization.
- G. All MERS<sup>®</sup> FraudALERT data submissions will be validated to ensure that they are submitted by a Member or Member Agent, and be identified by a MERS Mortgage Identification Number (the “MIN”).
- H. A Member may request an Individual Status Report (ISR) to facilitate complaint resolution from any individual or entity that has been named in an Incident Report (IR). The report identifies:
  - a. The Member providing the information,
  - b. The filing data of the IR in which the individual or entity is identified, and
  - c. The facts and circumstances reported in the IR with which the individual or entity is associated and in accordance with applicable law.
- I. On a monthly basis, Members will receive a report that includes the following Member-specific data:
  - a. Total number of MERS<sup>®</sup> FraudALERT records
  - b. New MERS<sup>®</sup> FraudALERT records by month
  - c. Total number of LDS’s entered

- d. Total number of LDS's by month
- e. Total number of IRs entered
- f. Total number of IRs by month
- g. Total number of IRs modified
- h. Total number of NAs issued
- i. Total number of NAs received by month
- j. IRs entered by Fraud Category
- k. IRs associated with specific fraud indicators
- l. Number of associated ISRs issued

## **II. Member Obligations**

- A. Upon execution, by an authorized officer, Members participating in MERS<sup>®</sup> FraudALERT agree to comply with all MERS policies and procedures as they are written, amended and distributed from time to time by MERS and, agree to be bound by the terms and conditions set forth in this Addendum, and such other Rules and Procedures that govern the access and use of, or the integration with, MERS<sup>®</sup> FraudALERT.
- B. This Addendum shall be incorporated into the Terms and Conditions and Rules and Procedures (collectively, the "Governing Documents") to which each Member agrees to comply with upon executing a Membership Application. References to "MERS<sup>®</sup> System" in the MERSCORP, Inc. Rules of Membership numbered 5, 6, 7, 9, 11, 12 and 13 shall be deemed to incorporate MERS<sup>®</sup> FraudALERT Terms not otherwise defined herein shall be as defined in the Governing Documents.
- C. Member agrees to submit to MERS<sup>®</sup> FraudALERT, all of their production loans from all business channels, including retail, correspondent and broker channels through the use of the LDS transaction.
- D. Member agrees to submit an IR transaction upon performing quality assurance or investigation, or any other discovery of suspicious activity. Member agrees to promptly correct and update any IR they previously submitted should they become aware of additional pertinent information.
- E. Member acknowledges that with regard to its use of information received as the result of data submissions by other Members that:
  - a. IRs may be based on preliminary findings by other Members and are not necessarily the result of completed or professional investigations.
  - b. Member is obligated to perform its own independent investigation to verify whether its business may be subjected to any risks associated with irregularities that are the same, or similar to, those reported in the IR.
  - c. MERS and MERS<sup>®</sup> FraudALERT are the conduit for information submitted by MERS<sup>®</sup> FraudALERT Members, and MERS conducts no independent investigation to verify the facts alleged in IRs.
- F. Member agrees to conduct an investigation regarding all complaints received from complainants who disagree with facts and/or circumstances reported in an IR, discovered through the receipt of an ISR documenting the incident. Member agrees to report back to MERS and MERS<sup>®</sup> FraudALERT the results of the investigation requested by the Complainant, and submit a corrected IR if appropriate.
- G. Member agrees to comply in all material aspects with all laws and regulations governing the exchange of information within the mortgage and real estate industry.

### **III. Termination**

- A. Requests for termination of access to MERS<sup>®</sup> FraudALERT may be initiated by the Member.
- B. MERS may also initiate termination of Member's access to MERS<sup>®</sup> FraudALERT as provided for by the MERS Rules of Membership.
- C. Upon processing of the termination, the Member registration record will be placed in Inactive Status but will not be deleted from MERS<sup>®</sup> FraudALERT. Any Member in Inactive Status will not have access to MERS<sup>®</sup> FraudALERT services.

### **IV. Disclaimer of Warranties**

ALL PRODUCTS AND SERVICES ARE PROVIDED "AS IS" WITHOUT WARRANTIES, EXCEPT AS SET FORTH IN THIS ADDENDUM AND THE GOVERNING DOCUMENTS, MERS AND THE THIRD PARTY PROVIDER OF MERS<sup>®</sup> FraudALERT EXPRESSLY DISCLAIM ALL WARRANTIES, EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF MERCHANTABILITY, TITLE, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, OR ADEQUACY OF INFORMATION.

### **V. Limitation of Liability**

MERS' AND MERS<sup>®</sup> FraudALERT THIRD PARTY PROVIDER'S TOTAL LIABILITY ARISING OUT OF THIS AGREEMENT AND THE PRODUCTS AND SERVICES UNDER ALL THEORIES OF LIABILITY SHALL BE LIMITED TO THE FEE PAID BY MEMBER FOR SUCH PRODUCTS AND SERVICES. IN NO EVENT WILL MERS AND MERS<sup>®</sup> FRAUD ALERT THIRD PARTY PROVIDER BE LIABLE FOR ANY ERRORS, OMISSIONS OR INADEQUACIES IN THE PRODUCTS AND SERVICES OR FOR CONCLUSIONS REACHED BY MEMBER BASED ON THE PRODUCTS AND SERVICES PROVIDED. MERS AND MERS<sup>®</sup> FraudALERT THIRD PARTY PROVIDER SHALL NOT BE LIABLE FOR CONSEQUENTIAL, INDIRECT, SPECIAL OR INCIDENTAL DAMAGES, SUCH AS DAMAGES FOR LOST PROFITS, BUSINESS FAILURE OR LOSS, ARISING OUT OF THE PRODUCTS AND SERVICES, WHETHER OR NOT MERS AND MERS<sup>®</sup> FraudALERT THIRD PARTY PROVIDER HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

### **VI. Indemnification**

In addition to the provisions under Paragraph 9 of the Terms and Conditions, Member will hold MERS completely harmless and shall indemnify MERS and MERS<sup>®</sup> FraudALERT third party provider for any and all claims of liability and damages, asserted by any third party, arising out of or caused in whole or in part by Member's use of MERS<sup>®</sup> FraudALERT under this Agreement.

### **VII. Amendment**

MERS shall notify in writing all Members of any proposed changes to this Addendum, and shall provide a copy of such proposed changes to all Members no fewer than 90 days prior to the proposed implementation date of such changes. Members may submit to MERS for its consideration their comments with respect to any such proposal, and such comments shall be reviewed by MERS and filed with the records kept by MERS. Notwithstanding the receipt of any such comments, the Board of Directors of MERSCORP, Inc., in its sole discretion, shall have the

right to amend or add to this Addendum, or repeal any part thereof, after the expiration of such 90-day comment period, so long as such amendment is not contrary to the Certificate of Incorporation of MERSCORP, Inc. Each Member shall be bound by any amendment to the Addendum with respect to any transaction occurring subsequent to the time such amendment takes effect as fully as though such amendment were now a part of the Addendum; provided, however, that no such amendment shall affect the Member's right to withdraw from MERS in accordance with the procedures set forth in the Governing Documents before such amendment or change becomes effective.

\_\_\_\_\_  
Company Name

\_\_\_\_\_  
Org ID

\_\_\_\_\_  
Authorized Officer

\_\_\_\_\_  
Date

**MERS® FraudALERT Administrator:**

\_\_\_\_\_  
First Name

\_\_\_\_\_  
Last Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Phone

\_\_\_\_\_  
Email

\_\_\_\_\_  
Address 1

\_\_\_\_\_  
Address 2

\_\_\_\_\_  
City, State

\_\_\_\_\_  
Zip

**MERS® FraudALERT Notification:**

Notification Alert email to be sent to: \_\_\_\_\_



## MERS® FraudALERT

Aug. 2010

Process Loans, Not Paperwork<sup>SM</sup>

### Agenda

- Introductions
- Background
- What is MERS® FraudALERT?
- How does FraudALERT leverage MERS?
- Partnership with Interthinx
- What makes MERS® FraudALERT unique?
- How does MERS® FraudALERT work?
- How does MERS® FraudALERT fit into your business process?
- Phase 1: Currently in Production
- Phase 2
- Key Benefits
- Q & A
- Appendix



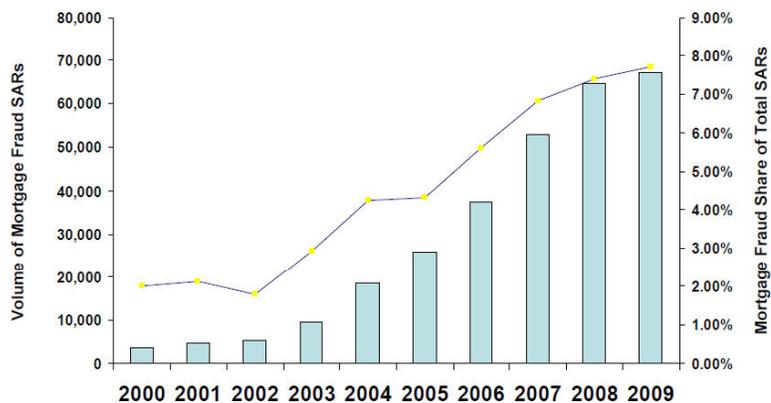
## Background

- Mortgage fraud is the fastest growing form of white collar crime
- Prevention of mortgage fraud is a critical component of financial regulatory reform
- The industry has the unique opportunity for improved integrity as mortgage markets are re-stabilized
- Lack of communication and cooperation between lenders creates opportunity for fraudsters



## Latest SAR Activity from FINCEN

### Mortgage Fraud Suspicious Activity Reports



Source – FinCEN "By The Numbers" Issue 14 (June 2010)

## What is MERS® FraudALERT?

- Platform for sharing of information between lenders to prevent and detect mortgage fraud
  - Solution connects industry collaboratively
  - Links all suspicious activity and confirmed fraud to loan for the life of the loan
  - Addresses MBA RFP from Industry Working Group
- Designed to bring a national fraud prevention capability to the mortgage industry. It is based on utilities that have been implemented in the following industries: banking, credit card, insurance



## How is MERS leveraged?

- Cooperative technology based on industry standards
- Leverage existing MERS infrastructure
  - MERS Org ID: logical method for subscribers to identify trading partners on fraud database
  - Mortgage Identification Number (MIN): 18-digit number, remains with loan for its entire life, required for identifying loan-level information on the fraud prevention database
  - Ability to submit transactions to MERS® FraudALERT leveraging existing industry connectivity to MERS



## Partnership with Interthinx

- Interthinx: wholly owned subsidiary of Verisk Analytics
- Since 1971 ISO (Insurance Services Office, Inc., subsidiary of Verisk) been a leading supplier of data, analytics, and decision-support products for professionals in fields related to risk
- Industry focus: Insurance, Healthcare, Mortgage



## How is MERS® FraudALERT unique?

- Collects all pertinent information at loan and incident report level, retains it for life of loan even as loan moves to new servicers or investors
- Tracks not only loan and collateral but all parties associated with the loan



## How is MERS® FraudALERT unique?

- Facilitates collection of subscriber disbarment and exclusionary lists into single industry repository that will be matched to all new loans beginning at application
  - Pushes notifications 2x/day when any loan application or loan in your existing portfolio is impacted



## How is MERS® FraudALERT unique?

- Easily integrated into every originator, servicer and investor today through existing MERS network connections
- Provides most comprehensive information on both suspicious activity and confirmed mortgage fraud available today across all industry channels



## How does it work?

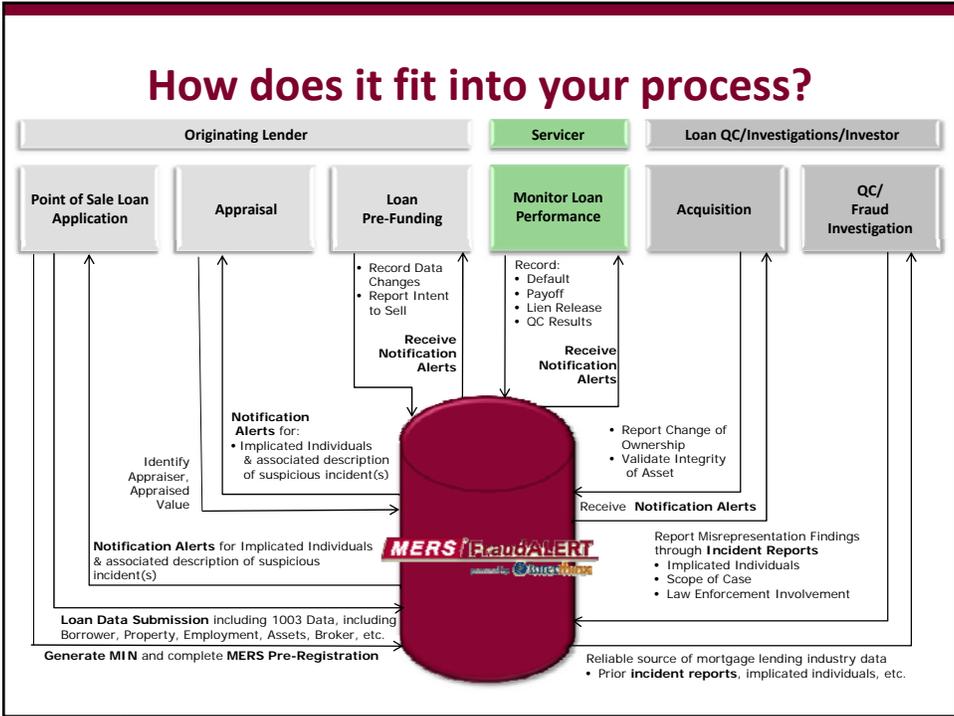
- Originators submit application information to MERS® FraudALERT beginning at application through the Loan Data Submission
- Alerts related to the application are provided through notification alerts if any related suspicious activity is identified
- Loan QC and Fraud Investigation units submit Incident Reports on suspicious activity in a manner similar to current regulatory reporting obligations



## How does it work?

- Sophisticated matching mechanism identifies all other loans involving implicated parties, and sends Notification Alerts signaling subscribers to review related loans within their portfolio
- Meets requirements of Fair Credit Reporting Act with support for complaint filing and dispute resolution
- Consistent with existing MERS applications, MERS® FraudALERT was developed with an open architecture that allows integration with all proprietary and vendor products





## Phase 1: Currently in Production

- Accepts registration of all loans as early as original application thru Loan Data Submission transaction
- Connects Incident Reports to all registered loans on MERS for subscriber
  - Trigger notification alerts based on participants
  - New loan registrations will be notified of matches on previously submitted incident reports
  - Most powerful when loan is registered at initial application
  - Open design allows all vendors to “plug and play”
  - Populated with 64 million existing MERS loans




# Dashboard

MERS FraudALERT powered by Interthinx

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Dashboard [Search](#) [Reports](#) [+ Create Incident Report](#)

### Recently Submitted Incident Reports

Incident Report #	Date Created	Fraud Status	Primary Category	# Affected MBIs	# Affected MERS MBIs
90	04/21/2010	Suspicious Activity	Application	1	0

Most Recent Reporting Date: - [Download reports](#)

### Welcome to MERS FraudALERT<sup>SM</sup>

MERS FraudALERT<sup>SM</sup> powered by Interthinx helps identify and prevent fraud through the sharing and reporting of key industry data. MERS FraudALERT combines MERS' infrastructure and industry wide integration with the proven fraud detection capabilities of Interthinx®.

For free training on the MERS FraudALERT system, please visit [www.interthinx.com/training.html](http://www.interthinx.com/training.html) or call 1-800-313-8751 for schedule information for online self-paced classes or conductor led, interactive classes.

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# Search Loan Data

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Dashboard [Search](#) [Reports](#) [+ Create Incident Report](#)

### Search Type

Loan Data  Incident Reports

### Add Search Criteria

Matches all of these  Matches any of these

Loan Number  equals  [-](#) [+](#)

Loan Number  equals  [-](#) [+](#)

Loan Number  equals  [-](#) [+](#)

### Select Date Range

Closing Date  date is between  and

[Clear Changes](#) [Search](#)

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**MERS**  
Member Lending and Payments

# Search Incident Reports

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Dashboard Search Reports [+ Create Incident Report](#)

**Search Type**  
 Loan Data  Incident Reports

**Add Search Criteria**  
 Matches all of these  Matches any of these

Participant Type equals Appraiser    
 Individual First Name contains Kelly    
 Address State equals CA    
 Secondary Fraud Classification Ty equals Appraisal Inflated/ Misrepresented

**Select Date Range**  
 Fraud From D date is between  and

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# Create Incident Report

**Create Incident Report**

**Incident Information**

Associated MRB

Incident Narrative\*

Incident Start Date (MM/DD/YYYY)  Incident End Date (MM/DD/YYYY)

Primary Incident Category\*  Secondary Incident Category\*

Total Dollar Amount Involved in Incident

Fraud Status\*

When fraud status is "Confirmed", some Law Enforcement fields are required

Law Enforcement Agency\*  Law Enf. Agency Name\*

Law Enforcement Case Number\*

Law Enf. Contact First Name  Law Enf. Contact Middle Name

Law Enf. Contact Last Name

Law Enf. Contact Phone  Law Enf. Contact Email

**Parties to Incident**

Role\*

First Name  Middle Name

Last Name  SSN

Company Name  Tax ID

Phone

License #  License State

Address1

Address2

City  State  Zip

Employment Status  Employment Status Date (MM/DD/YYYY)

Employment Confession

APN  Builder County

Owner  Broker Name

See MERS® FraudALERT Procedures Manual for information about how to enter Incident Report information

# Loan Detail

MERS FraudALERT

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## Loan Data Report: MIN 100540014100009731

submitted by MERS on 05/07/2010 *(last updated: 05/07/2010)*

### Mortgage Information

(potential issues highlighted)

**Mortgage Type**  
Other

**Loan Doc Type**  
Alternative

**Loan amount**  
\$1,234,567,890.99

**Subject Property Address**  
2342 PARK  
CHARLOTTESVILLE VA  
92837

**APN**  
TestACPN23456

**Property Usage**  
Other

**Loan Purpose**  
Other

**Property Usage Description**  
Other usage

**Property Occupancy**  
Other

**Occupancy Description**  
Other occupancy

**Purchase Price**  
\$1,234,567,890.99

**Estimated Value**  
\$1,234,567,890.99

**Appraised Value**  
\$1,023,456,789.99

**Appraisal Date**  
12/12/2000

**Lien Priority**  
FirstLien

**HUD Disbursement Name**  
-

**HUD Disbursement Amount**  
-

**Application Signed Date**  
03/01/1999

**Closing Date**  
03/03/2009

### Loan Participants

(potential issues highlighted)

**Role**  
Borrower

**Name**  
LEWIS LOVELL  
SSN  
\*\*\*-\*\*-1011  
[participant detail](#)

**Role**  
Seller

**Name**  
LARRY LAWLESS  
[participant detail](#)

**Role**  
Appraiser

**Name**  
LIBBY LIVELY  
[participant detail](#)

**Role**  
Mortgage Broker

**Name**  
LEON LESTER  
[participant detail](#)

### Associated Incident Reports

IR#	Incident Type	Submit Date
121	Confirmed Fraud	05/07/2010

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# Incident Report Detail

MERS FraudALERT

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## Incident Report: #121

submitted by MERS on 05/07/2010 *(last updated: 05/07/2010)*

The Submitter is only shown to the subscriber who submitted the incident

[Edit Report](#)

### Incident Information

(notable parties highlighted)

**Associated MII**  
932654725436789016

**Incident Narrative**  
Here we describe how fraud 016 happened.

**Incident Start Date**  
01/01/2007

**Incident End Date**  
04/22/2009

**Primary Incident Category**  
Application

**Secondary Incident Category**  
Income Falsification

**Incident Total Dollar Amount**  
\$4,563,456,543.68

**Fraud Status**  
Confirmed Fraud

**Law Enforcement Agency**  
FBI

**Law Enforcement Agency Name**  
Law Enforcement agency name 0027

**Law Enforcement Case #**  
LawCaseNum1017

**Law Enforcement Contact Name**  
Jhon Junior Smith

**Law Enf. contact Phone**  
(805)335-2745

**Law Enf. Contact Email**  
jrsmith@company.com

### Parties to Incident

**Role**  
Borrower

**Name**  
LEON LESTER

**Phone**  
(901)243-3456

**Address**  
2017 Main Apt # 22-123/234  
VANNLUS CA 91367

**Employment Status**  
Terminated

**Employment Status Date**  
05/14/2009

**Employment Confession**  
This is Test confession for termination

### Affected Inventory

MIN	Loan Number	Close Date
10054001410000973	1	03/03/2009

### Affected MERS Inventory\*

0 loans. [Click to View](#)

\*FraudALERT has identified loan(s) registered with MERS that have been associated to Incident Reports submitted based on limited loan data. By submitting all of the 1003 loan data, including all the loan participants, FraudALERT will be able to:

1. Identify more associations to Incident Reports submitted in FraudALERT,
2. Enhance results for better potential fraud detection and
3. Search and view these loans in FraudALERT.

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## Notification Alerts

- Receipt of incident report on specific bad actor triggers Notification Alerts to all subscribers with loans registered that identify that actor
  - Appraiser
  - Broker
  - Realtor
  - Title agent
  - Borrower



## Email Notification Alert

**MERS FraudALERT** powered by interthinx
01/12/2009 04:33AM

You have 5 loans in your inventory that have been linked to new or updated Incident Reports containing suspicious or confirmed fraud. To review the details, click on the MIN below.

**Alert Data, by Loan**

MIN	Loan #	Close Date	Incident Reports
<a href="#">636363601234567897</a>	666666666	05/06/2008	2
<a href="#">636363634567890128</a>	888888888	03/12/2008	4
<a href="#">636363678543210883</a>	000000000	03/12/2008	3
<a href="#">636363654321098767</a>	725725725	03/12/2008	5
<a href="#">636363678901234565</a>	345345345	01/10/2008	2

You have 1 submitted / updated Incident Report that have been linked to loans in your inventory. To review the details, click on the Incident Report Number below.

**Alert Data, by Incident Report**

IR #	Created	Last Update	Affected MINs
<a href="#">45672134</a>	01/11/2009	01/11/2009	2

If you have any questions, please contact customer support at **800-795-0391** or send an email to [customerservice@interthinx.com](mailto:customerservice@interthinx.com).

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## Phase 2

- Early adopters will have a large role in shaping Phase 2 of MERS® FraudALERT
- Initial enhancement plans are to build:
  - Reporting analytics and red flag alerts
  - Additional information gateways for Incident Reports and Loan Data Submissions
  - Customization of notification and report thresholds



## Key Benefits

- National fraud prevention database based upon MERS utility business model
- Facilitates mortgage industry collaboration and information sharing to address common risk management concern, mortgage fraud
- Identifies industry “bad actors” through Incident Reports
- “Push vs. Pull” technology



## Key Benefits

- Automated notification alerts for life of the loan due to having the loan “actors” tied to the MIN
- Fair Credit Reporting Act (FCRA) complaint filing and dispute resolution process
- Real-time monitoring of the subscribers loan inventory
- Robust activity reporting



## Resources: www.mersinc.org

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	MERS® Fraud Tools	Mass.Gov Div. of Banks	MISMO®	MERS® FraudALERT

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**Welcome to MERS!**

MERS is an innovative process that simplifies the way mortgage ownership and servicing rights are originated, sold and tracked. Created by the real estate finance industry, MERS eliminates the need to prepare and record assignments when trading residential and commercial mortgage loans.

**What's New**

- Apr 28, 2010  
New Procedures to Update Information on MERS Systems Under Fair Credit Reporting Act
- Apr 15, 2010  
MERS® Commercial Procedures Update
- Apr 15, 2010  
MERS® System Procedures Update
- Apr 15, 2010

On www.mersinc.org, click "MERS® FraudALERT"

## Q & A



## Appendix

- Suspicious Activity Defined
- Confirmed Fraud Defined
- Incident Reporting Guidelines



## Suspicious Activity Defined

- An abnormal or unusual action or pattern of actions, or misstatement, misrepresentation or concealment of a fact or facts by parties involved in real estate finance transactions, creating concern of possible intentional deception for unlawful financial gain.
- Reported occurrences of suspicious activity must, at a minimum, conform to all of the following requirements:
  - The reporting entity must have a factual basis, based on its good-faith judgment, to believe that the information concerning the reported occurrence or action is true and accurate.
  - Evidence or information held by the reporting entity must meet all four (4) of the requirements described below:
    - Credible evidence
    - From a reliable source\*
    - Relating to document, information, or occurrence discrepancies
    - Indicating intentional deception or misrepresentation
    - \* Reliable Source - A source with knowledge and/or experience about a document, information, or occurrence, who can assess its reliability, accuracy, or authenticity, or lack thereof. This includes public records documenting a confirmed fraud.
  - The loan transaction was not, or would not have been approved, funded, or purchased if the misrepresentation or deception had been known.



## Confirmed Fraud Defined

- The presence of a public record indicating a fraud conviction by a court of law, and/or validation and confirmation of fraud by a state or federal law enforcement and/or specific reference to government published publicly available disbarment lists.
- Whenever a reporting entity (i.e., originator, servicer, investor, mortgage insurer) becomes aware through public notice or internal investigation of confirmed fraud, the incident report categorized as confirmed fraud must, at a minimum, conform to all of the following requirements:
  - The reporting entity must have reference to a public record, and/or confirmation or validation by a state or federal law enforcement or regulatory agency with reference to a specific, identifiable case number related to a case of mortgage fraud.
  - Evidence or information held by the reporting entity must meet all four (4) of the requirements described below:
    - Credible evidence
    - From a reliable source\*
    - Relating to document, information, or occurrence discrepancies
    - Indicating intentional deception or misrepresentation
  - \* Reliable Source - A source with knowledge and/or experience about a document, information, or occurrence, who can assess its reliability, accuracy, or authenticity, or lack thereof. This includes public records documenting a confirmed fraud.
  - The loan transaction was not, or would not have been approved, funded, or purchased if the misrepresentation or deception had been known.
- The incident report being categorized as confirmed fraud must, at a minimum, include the name of the state or federal law enforcement or regulatory agency and the associated case number.



## Incident Reporting Guidelines

- The purpose of the Incident Report is to document and share information about suspicious activity or confirmed fraud with industry partners through MERS® FraudALERT.
- Information on who files an Incident Report remains confidential to the submitting subscriber.
- The reporting threshold should conform with other internal and regulatory reporting requirements to ensure that a level of due diligence and investigation has been performed.
- The Incident Report should be complete narrative, and include the following five essential elements of information:
  - Who?
  - What?
  - When?
  - Where?
  - Why?
- It remains the obligation of each subscriber receiving a notification alert of an incident report to conduct their own investigation and make their own conclusions regarding their potential exposure and action to be taken

