As fraud perpetrators learn to take advantage of the time delay in lien recordings, "shotgunning" or multiple lien fraud is on the rise. Multiple closings of equity loans on a single property usually result in significant losses for each lender. Lenders often have little claim to the collateral if they originate a loan expecting to be in the second lien position and another equity lender closes before them without their knowledge. An individual can easily extract $1 - $2 million on a single $250,000 residence, providing ample incentive to attempt the fraud.

Home Equity Lenders United by Proactive Alert System

To defend against multi-lien fraud, First American CoreLogic has created the innovative Multi-Closing Alert Program™. Lenders participating in the program submit daily batch files listing their loan-closing activity. First American CoreLogic then analyzes the files to identify scenarios in which multiple lenders are moving to close on the same property. Participants receive daily notification indicating the results of the day's analysis. If multi-lien activity is detected, the relevant lenders are alerted and provided with the pertinent loan-level detail, together with the contact information for the participants involved.

The Multi-Closing Alert Program is open to lenders of all sizes, and subscription packages are based on loan volume. In addition to the analysis and notification services, First American CoreLogic facilitates monthly program participant calls to discuss program details and fraud prevention best practices. Lenders can also participate in a retroactive analysis option that evaluates current portfolios to identify loans with potential risk and prevent further loss. Nine major equity lenders currently participate in the program, accounting for more than half of the nation's equity loan activity. These lenders collectively avoided more than $40 million in fraud loss in the first twelve months of the program.

Additional Benefits

› Identify multi-lien fraud attempts pre and post funding

› Earn significant ROI by avoiding only a few fraudulent loans

› Promote your participation to provide an effective fraud deterrent

› Learn fraud prevention best practices from monthly participant calls

"The Multi-Closing Alert Program serves nine of the largest residential lending institutions, representing more than half of the equity lending market. These clients have reported preventing more than 230 confirmed fraud schemes nationwide, valued at more than $40 million dollars in total hard losses averted."

Steve Schroeder
Executive Vice President
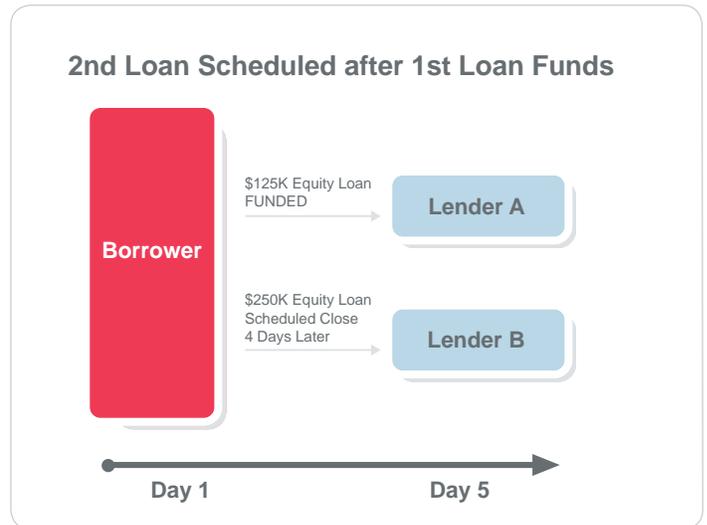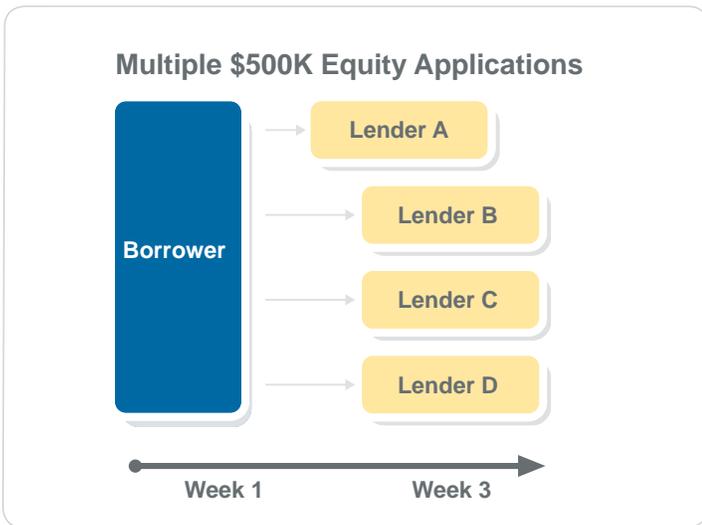First American CoreLogic

To understand how your firm can protect itself against multiple lien fraud, consider these real-life instances of fraud detected through the Multi-Closing Alert Program:

$2 Million Saved in Multi-Lender Attempt

› Borrower applies for $500k equity loan from Lender A

› Lender A receives program alert three weeks later of three additional $500k equity loan applications on the same property in process at other lenders

› Lender A contacts borrower, who first denies making other applications and wants to close loan with Lender A, then offers to put other lenders in third position

› Lender A and the other lenders deny loans due to non-disclosure of multiple loans in process

Multiple $500K Equity Applications

Borrower → Lender A
Borrower → Lender B
Borrower → Lender C
Borrower → Lender D

Week 1 ——————————— Week 3

"Rate Shopping" Proves to be Likely Fraud

› Borrower equity loan of $125k booked and funded through Lender A

› Lender B schedules close four days later of $250k equity loan on same property

› Lender B receives program alert of Lender A's funded loan

› Lender B contacts borrower, who said she was rate shopping but still wanted the loan

› Lender B denies loan due to misrepresentation

2nd Loan Scheduled after 1st Loan Funds

Borrower → $125K Equity Loan FUNDED → Lender A

Borrower → $250K Equity Loan Scheduled Close 4 Days Later → Lender B

Day 1 ——————————— Day 5

**To learn more about Multi-Closing Alert Program™,
call 866.774.3282 or visit facorelogic.com today.**

www.facorelogic.com
866.774.3282