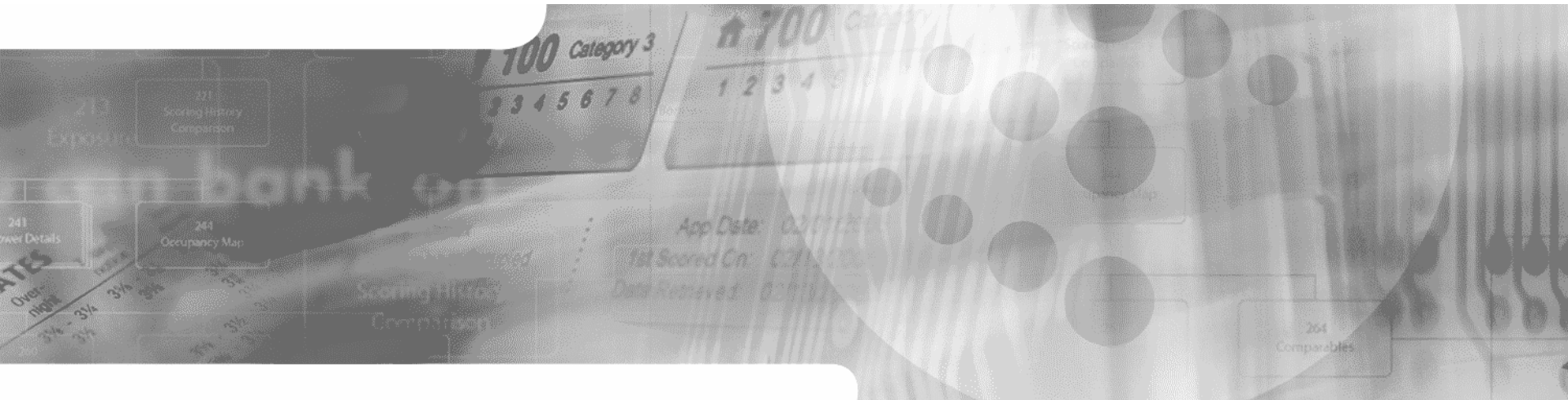




Mortgage Fraud and the Subprime Meltdown

Casualty Actuarial Society

Ann Fulmer | June 18, 2008



fraud protection you can bank on

The Market Today

- **Secondary market has mostly disappeared**
- **MBS write-downs at \$150 billion to date**
- **Tens of thousands of jobs have disappeared**
- **Housing prices falling rapidly**

The Market Today

More bad news on the way

- **Bottom now predicted in 2010**
- **2 million subprime ARMs resetting by 2009**
- **Loan quality still an issue through mid-2007**
- **Not just a subprime problem**

How Did We Get Here?

Consumer demand and investor appetite

“Aggressive” underwriting practices

Misuse of loan programs

Faulty assessment of risk



Fraud At The Core

Mortgage fraud is the “X” factor in the meltdown

Scope of fraud is unknown, not quantifiable

Interthinx sees variances indicative of potential fraud in 25% of all applications

Permeates all loan programs

Fraud At The Core



80% involves industry insiders in collusion

Fraud for profit

Occupancy fraud

Fraud At The Core



Schemes today are fueled by necessity and desperation

Inevitably leads to foreclosure

Increases loss severity

Collateral damage ruins entire communities

Ann Fulmer

Vice President

770-723-1610 (office)

404-626-9916 (cell)

afulmer@interthinx.com