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Broker Scams Dominate Fraud

BasePoint releases BrokerWatch

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By [PAULA PARISOT](#)



Paula Parisot

Mortgage broker schemes are the single biggest mortgage fraud risk, according to an analysis of millions of loans.

BasePoint Analytics reported its fraud scientists have studied more than three million loans using more than 150 million loan attributes and have concluded that "the most serious mortgage fraud risk is broker-facilitated fraud."

In response, the mortgage software developer recently announced the release a software solution that assesses broker risk.

Dubbed BrokerWatch, the new product "provides detailed performance reporting and pattern recognition scoring to predict which brokers are most likely to submit loans that will result in fraud, repurchase, early payment default and discount sales," the Carlsbad, Calif.-based company said.

Lenders are better able to identify which originators require further review, the announcement explained. In addition, individual loans can also be scored and ranked for risk using FraudMark, the company's software solution that allows the lender to update their broker watch list, run specific audits and identify fraud schemes.

"Historically, lenders have relied on negative file solutions," Tim Grace, president and CEO of BasePoint Analytics said in the press release. "BrokerWatch provides a new level of insight into broker behavior, loans submitted by brokers, and broker performance. This insight will enable lenders to work with individual brokers to identify areas of risk, correct them, and continue benefiting from the broker relationship."

A company spokeswoman said the cost of the products varies and is dependent on the amount of volume submitted.

Another developer of fraud detection solutions, Interthinx, noted the importance of fraud prevention at the submission level.

"One of the most critical aspects of any fraud detection program is a review of 100% of the applications on a pre-funding basis," Interthinx vice president of Industry Relations

Don Effertz told *MortgageDaily.com* in an e-mail statement. "With insiders being responsible for such a significant piece of the fraud (80%+), it is paramount that they not be afforded the opportunity to game the system and defeat even sophisticated sampling protocols."

Effertz noted that these types of solutions also add to increased productivity.

"This can even lead to a boost in underwriter efficiency by targeting the problematic loans and allowing those with little risk to move through the process more quickly."

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