

The New York Times

Web Help for Getting Mortgage the Criminal Way

By [JULIE CRESWELL](#)

Published: June 16, 2007

Want to buy a home, but hampered by bad credit, an empty bank account or no job? No problem!

That may sound like an exaggeration of a late-night infomercial. But it is, in effect, the pitch that a number of Web sites are making to consumers, saying insolvent home shoppers can be made to look more attractive to lenders.

The sites, for example, offer better credit scores by hitching customers to a stranger's credit card, or providing them pay stubs from a bogus company. One has even offered a well-stocked bank account to rent for a month or two.

Industry experts say these sites, which are relatively new, played a role in fueling the rampant mortgage fraud that has caused a huge spike in loan defaults in recent months because people bought homes they could not afford.

"There is a whole underground world — an online cottage industry — that has grown up that allows anyone to commit mortgage fraud," said Constance Wilson, executive vice president at the financial fraud detection firm Interthinx.

Regulators and the mortgage industry are now vowing to crack down on aggressive lending practices that have led to a rising number of foreclosures. But that greater scrutiny, including lenders requiring more documentation than they have in the past, may actually increase demand for some of the services that these Web sites offer.

"We think these types of Web sites are increasing," said Frank McKenna, chief fraud strategist at BasePoint Analytics, which helps banks and mortgage lenders identify fraudulent transactions.

Policing them is difficult, partly because it is unclear which laws, if any, the Web sites might be breaking (for their customers, though, the laws are clear — anybody who uses

fake paycheck stubs or other false documents to misrepresent financial status to a bank or mortgage lender is committing fraud).

The people who operate these sites can also be hard to track down. At the first whiff of trouble, they can easily shut down and then quickly start a new Web site with a different name.

No statistics exist on the number of these Web sites and how many people use them, or whether any of the operators of such sites have been prosecuted.

An examination of loans made last year, including prime and subprime, in which some sort of fraud occurred, showed that incidents of false tax or financial statements had risen to 27 percent from 17 percent in 2002; fraudulent verifications of deposit had climbed to 22 percent from 15 percent four years ago; and false credit reports rose to 9 percent from 5 percent in 2002, according to a report issued this spring by the Mortgage Asset Research Institute based in Virginia.

If any documents were required, it was unclear whether the bogus documents were created by do-it-yourselfers or whether they turned to the products and services sold over the Internet.

Still, Joan E. Ferenczy, director of institutional investigations at [Freddie Mac](#), said there had been a growing discussion in recent months among industry investigators about Web sites offering false identifications and income statements.

“Either it has been underground all along, or there has been a spike of activity there,” she said.

One service that appears to have grown exponentially in recent months, investigators say, are sites that offer to improve an individual’s credit score by adding them onto the credit cards of individuals with good credit scores and histories.

The practice, known as piggybacking, started innocently enough with individuals adding their spouses or children to their credit card accounts as authorized users.

One site, RaiseCreditScoreNow .com, offers to add a person to four separate \$20,000 credit lines with 10 years of “perfect payments” for \$4,000 (although they do not have access to the actual credit line). Doing so could increase an individual’s credit score by

as much as 200 points in 90 days, the site says, and make the difference between qualifying for a home loan or not.

People with strong credit scores and a reliable payment history of at least 24 months on various credit accounts can be paid up to \$1,000 for each person they add to the account as an authorized user, the site offers.

Several lawyers said it was unlikely that this practice was illegal, although many warned it could open the person renting out their credit card lines to fraud or identity theft. Attempts to contact the Web site were unsuccessful.

Another company, which operates SeasonedTradeLines.com, claims on its site to have an inventory of more than 100 real, verifiable credit card accounts with perfect payment histories dating back to 1974. The site asks: "How would your life be different with a 700+ credit score?"

A person answering the phone at the company declined to comment. "I'm not going to answer any questions," he said. "I'm not going to give out any information."

Last week, the Fair Isaac Corporation, the company that developed FICO credit scores, said it was trying to shut down piggybacking.

Starting in September, Fair Isaac said people who were added to someone else's credit line would not benefit from the secondhand credit history in its formula, which is used by the three major credit bureaus.

"There is going to be no way to get around the new system," said Ron Totaro, vice president for global scoring solutions at Fair Isaac.

One Web site that prompted mortgage regulators in Nevada to issue an alert to consumers and the mortgage industry two years ago offered to set up a bank account that could be "rented out" and verified to creditors or lenders at a cost of about 5 percent of the value of the assets. The people renting the assets did not actually have access to them.

While that site has disappeared, fraud experts say others have moved in to replace it.

“We’re seeing now a lot of checking accounts where funds are going in and out,” said Mr. McKenna of BasePoint. “Borrowers begin the month with \$4 in the account and end the month with much, much more.”

Other sites offer help to people who need proof that they are working.

For \$55, for example, the company that operates VerifyEmployment .net will ostensibly hire a person as an independent contractor, providing a paycheck stub showing an “advance,” with the corporate name and address. Another \$25 will assure telephone verification of employment when a lender calls to check.

Last year, a Florida-based company that operated a Web site called NoveltyPaycheckStubs.com agreed to stop using the name of the payroll company ADP after it was sued in federal court by ADP for trademark infringement.

“It is plain that defendants are peddling counterfeit ADP earnings statements for others to use to engage in fraudulent financial transactions,” ADP claimed in its lawsuit.

NoveltyPaycheckStubs.com has since disappeared, but people looking for fake IDs or payroll stubs can still find them at FakePaycheckStubs .com.

While the site states the products are used for “entertainment purposes only,” phrases like “car loan” and “home loan” are sprinkled on the site. For \$49.95, customers can receive a computer program to create paycheck stubs at home with their name and a fictional hourly salary. Attempts to contact someone at the site were unsuccessful.

For all the mentions of the pay stubs being only for entertainment, the site does offer one piece of legal advice: “I highly suggest you do not use logos from companies that are real on these stubs. I wouldn’t use any real company trademarks or copyrights either.”