

ask the servicer

By Ryan LaRose

What safeguards does a Servicer implement in order to prevent borrowers from being defrauded?

Technology has advanced to a very high-performance level, and a borrower's identity and personal data are safe behind many levels of firewall protection. All reverse mortgage servicers and sub-servicers have invested an extraordinary amount of money, time, and effort to do everything possible to electronically safeguard their borrowers' data. We all know, however, that firewalls have never completely protected anyone from having their identity stolen or personal information abused. As technology has become more sophisticated, criminals have too.

The senior population we serve ranges from those who can spot deception at twenty paces to those who cannot recognize that the offer that seems too good to be true really is just that.

In a recent borrower survey conducted by Celink, 85% of respondents still preferred delivery of their monthly reverse mortgage statements via regular mail. A number of those borrowers commented that they have a high level of distrust and aversion to receiving electronic information and prefer the "safety" of the mail service. Yet, these same people literally raise the red flags on their home mailboxes - signaling to someone intent on stealing identities that there could be something of value for the taking.

Others freely volunteer personal information over the phone - with little knowledge or regard to the risks. Still others, the most vulnerable of all, are lonely or in a weakened physical or mental condition and they welcome a friendly voice over the phone promising something that appears to be the answer to a prayer.

Servicers cannot call into question every request for a draw from a borrower's account, because to do so would be an insult to the majority of those simply exercising their right to access their funds. Every once in a while, however, an attentive servicer senses something could be amiss. It could be nothing more than a nuance in the tone and tenor of the voice of the caller, and they should immediately and always follow their instinct to investigate.

The sophistication of the schemes being perpetrated against borrowers can range from simple account inquiries to someone pretending to be a lottery official, notifying them of their "winnings". **While these situations are not commonplace**, and certainly not unique to the reverse mortgage industry), one borrower being victimized is one too many. Allow me to recount a recent scam one of our borrowers fell victim to - certainly not to humiliate the borrower, who shall remain nameless, but to illustrate how even when the best of safeguards and technology are in place, borrowers can fall victim to professional criminals.

This particular con man calls elderly people telling them he is with the Better Business Bureau and that he has indentified someone who had stolen the elderly person's identity. He tells them the person is in jail, but the thief may have done damage to the person's credit, or run up bills the borrower will have to pay.

He then tells them he is their "assigned agent" and personally insures that their identity is protected. To do so, they need to send him money to get all of the "insurance benefits". He told this borrower he was working "under cover" and that if they did call the local BBB, they would disavow any knowledge of him. Like I said earlier, these con artists continue to get more creative.

The scam starts out slowly by asking for only a few thousand dollars. Once he has built their trust and confidence, he starts asking for a lot more. It should be noted that each draw request submitted to the servicing department was legitimate and validated before being processed.

However, one draw request came in for a large amount - higher than an internal threshold we maintain. Because of this, a phone call to the borrower was prompted and the borrower voluntarily disclosed for the use of the money. That's when everything unraveled.

The signs of fraud quickly became clear, but by the time this borrower disclosed this information, she had given the criminal approximately \$65,000 in total. Her reverse mortgage proceeds were virtually gone, and she is without remedy.

Perhaps the saddest truth of this story is that this despicable criminal will probably never go to jail because the authorities were only able to track him to somewhere in Jamaica. This woman willingly gave her life savings, albeit unknowingly, to a snake that eagerly and greedily consumed it.

Let's get back to the question of safeguards. Servicing technology provides sophisticated protection of a borrower's information, but it cannot protect the vulnerable senior from a professional con artist or identity thief. Servicers must utilize a combination of the latest technological safeguards with good old-fashioned common sense. If it walks like a duck, quacks like a duck...you know the rest.

No one likes to think of our parents, or the people we've looked up to and admired all of our lives as being vulnerable, but they certainly can be. It is the job of a servicer to always be on the alert for strange requests or nuance in conversations with the borrower. Quite frankly, sometimes it's nothing more than a gut feeling that something is amiss. Though technology provides the electronic firewalls, the alert and attentive servicing staff is the last and truest line of defense between a con artist and a borrower.

I look forward to receiving any questions you may have regarding servicing at: ryan@celink.com. Please remember: there is no such thing as a stupid question. No doubt, the question you ask will have been in the minds of other readers as well. If you wish to remain anonymous for my response, just let me know.