

# **AAPL'S ETHICS COMMITTEE: SCAMS, FRAUD & YOU - OH MY!**

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**By: The AAPL Ethics Advisory  
Committee**

# Meet your presenters

- Jeffrey Tesch – RCN CAPITAL
- Susan Naftulin – Rehab Financial Group
- Mike Hanna – Investmark Mortgage
- Kellen Jones – Prospera
- Kevin Kim – Geraci LLP

# OVERVIEW OF SESSION

- LENDER BEWARE
- FRAUD INSTANCES
- PREVENTING FRAUD

# Commonplace Categories for FRAUD

Borrower Fraud  
Title / Settlement Co. Fraud  
Partner/Investor Fraud  
Industry Fraud

# Examples of Borrower Fraud

- Buying Property In Foreclosure From Self
- Forged Power Of Attorney
- Identity Theft
- Forged Credit Report From Borrower
- Misrepresented Ownership Status (i.e., Owner Occupied)
- Construction Draw Fraud (i.e., Fake Receipts)
- Refinancing Due Diligence

# PROTECT YOURSELF

## Prevent

- Due Diligence When Checking Entity Docs
- Use Experienced Legal Counsel
- Perform Own Credit Pulls
- Always Use Third-party Inspections Of Work

## Discover

- Third-party Service To Check Documents Pre/Post Closing
- Two Sets Of Eyes On All Documents
- Trust Your Gut If Borrower Story Doesn't Add Up

## Resolve

- Don't Do Loan!
- Get Alternate Guarantor

# TITLE / SETTLEMENT CO FRAUD

- Wire Transfer Fraud For Closing Funds
- Power Of Attorney Fraud
- Notary Fraud

# PROTECT YOURSELF

## Prevent

- Disclose And Require Disclosure Of Known Title Issues
- Use Trusted Settlement Company
- Use Notary That Works For Title Company, Not Broker/Borrower
- Use Experienced Legal Counsel To Review Documents
- Set Up Wire Approval Protocol With Banks
- Get Wire-transfer Fraud Insurance

## Discover

- Use Third-party To Check Docs Pre/Post Closing For Inconsistencies
- Ask For ID Used As Proof For Notarized Documents

## Resolve

- Lenders And Owners Title Claims (Importance Of Title Insurance)



# INDUSTRY FRAUD EXAMPLES

- Borrower, Broker/Agent Provides Appraisals and Non-relevant Comps
- Brokers Provide Fraudulent Information on Borrower
- Wholesalers Misrepresent Property Sale Price and Margin
- Wholesaler Presents Fraudulent Inspection Report or Survey (hiding problems or encroachments)
- Scammers stealing legitimate private lender identities

# PROTECT YOURSELF

## Prevent

- Require survey to check for encroachments and easements
- Perform own credit pulls
- Pull own comps for as-is and after-repair values
- Use trusted appraisers

## Discover

- Site visit to property before closing
- Validate purchase and sales price through title company
- Use third-party valuation service (RedBell AVE tool) to verify submitted appraisals

## Resolve

- Legal action

# PARTNER/INVESTOR FRAUD

- Accounting Fraud
- Fraudulent Expenses
- Embezzlement
- Shadow Ponzi Scheme
- Identity Fraud / Criminal Element

# PROTECT YOURSELF

- Accounting: Executive Accounting Oversight & CPA Review /Audit
- Business Operations Oversight: Avoid excess independence and ensure executive oversight
- Record Keeping is ESSENTIAL
- Keep Up with Accounting & Reporting
- Build KYC/AML Practices

# RESOURCES

**WHAT TOOLS CAN YOU USE TO CONDUCT DUE DILIGENCE ON  
BORROWERS?**

# Closing Remarks

**Don't Make Assumptions!**

**Always Ask Questions**

**Trust Your Instincts**

**Work With People You Trust**

Thank you for attending!  
Any final questions?

