

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

**By: The AAPL Ethics
Advisory Committee**

Meet Your Presenters



Jeff Spiegel
Spiegel
Accountancy Corp

First Chair



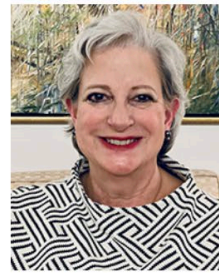
Mike Hanna
Investmark
Mortgage



Kellen Jones
Prospera



Kevin Kim, ESQ.
Geraci LLP



Susan Naftulin
Rehab Financial
Group



Kemra Norsworthy
Bull Funding



Kendra Rommel
Civic Financial
Services



Jeffrey Tesch
RCN Capital



OVERVIEW OF SESSION

- The Committee's Purpose and the Association's Place in the Industry (Educate, Elevate and Excel)
- Best Practices Begin at Home – Be Better
- Detecting and Preventing Fraud of all Shapes and Sizes

Why the Association and Ethics Committee Exist

EDUCATION

ETHICS

ADVOCACY

The Committee enforces The Code of Ethics, Safeguards the industry and helps:

- Create Industry Best Practices
- Enforce Standards of Conduct
- Prevent Regulatory Encroachment

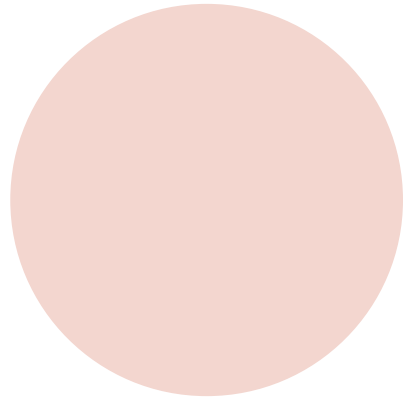
Best Practices (It Begins With You)

1. Hard conversations and open communication
2. Commitment and expectations to do what is right
3. Deliberate preparations, especially for conferences and settings you're representing your family, your business and the industry
4. Swift and appropriate actions and precedence

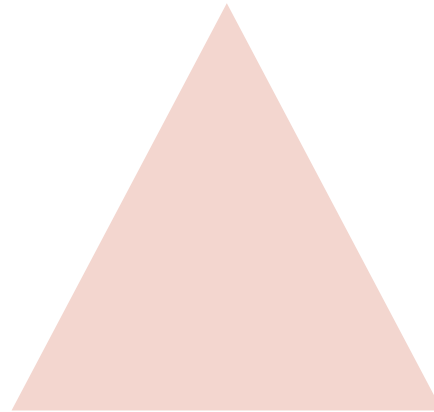
The Shapes of Fraud



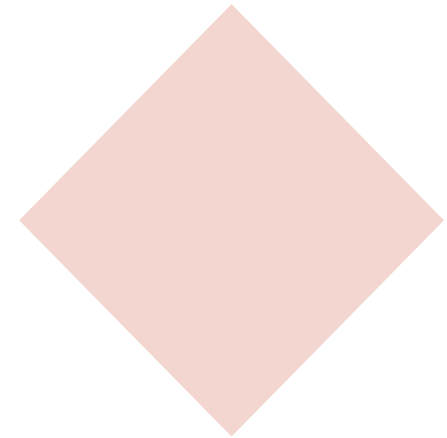
BORROWER
FRAUD



TITLE & ESCROW
FRAUD



INDUSTRY
FRAUD



PARTNER/DEFAULT
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 or Require Additional Conditions

TITLE COMPANY/ SETTLEMENT FRAUD

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

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 to verify submitted appraisals

Resolve

- Legal action

PARTNER, EMPLOYEE OR 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

Closing Remarks

Don't Make Assumptions!

Always Ask Questions

Trust Your Instincts

Work With People You Trust

Thank you for attending!
Any final questions?

