

## Senior Citizen Alerts

# Senior Citizens Increasingly Scammed in Reverse Mortgage Deals, Even by Neighbors

## **FBI offers advice to senior citizens on avoiding mortgage scams; latest charges against next door neighbor**

April 16, 2010 – The reverse mortgage program, designed by HUD to allow senior citizens to get cash for their home equity and then live payment free in their homes, has been popular with cash-strapped seniors. But, history teaches us that where senior citizens and cash are involved, scammers are not far behind. Two major fraud cases in recent weeks may be a signal that senior should be on guard.



Most of the focus and warnings have been to make seniors safer from what the FBI calls, “unscrupulous professionals in a multitude of real estate, financial services, and related entities.” But, the scammer may be just someone like a next door neighbor.

“Jackson County prosecutors and federal officials said Thursday that they have filed criminal charges in a fraud scheme involving the government-sponsored reverse mortgage program - only the second such case filed nationally,” according to a report in the Kansas City Star by Tony Rizzo

“But they warned that criminals are looking for ways to cash in as the reverse mortgage program gains popularity.

Michael Powell of the U.S. Department of Housing and Urban Development's inspector general's office, told Rizzo, "It's more of an emerging trend. We're starting to see it as a bigger problem."

KCTV 5 News in Kansas City reports this case involved a woman whose mother died a few years back and left her home to her daughter. “But instead of selling it, prosecutors said she gave the house to her elderly neighbor and then took out a reverse mortgage in his name without his knowledge.”

She grew up in the house next door to him so she was someone he trusted, according to Perry Cecil, the victim's son.

His 89-year-old father, David, suffers from Alzheimer's disease, the son said..

David Cecil became close friends with his neighbor of many years, Marilyn James. Prosecutors said two years ago, James got him to put his name on the deed to her mother's house. She then took out a reverse mortgage in his name for more than \$64,000, says the KCTV 5 report.

Tosha Brown, daughter of the woman changed in the case, said her mother didn't take advantage of Cecil but tried to help him. She said five years ago, Cecil hired contractors to renovate his house and went into debt trying to pay the bills.

She said her mother also did some work and never got paid for it. If James did take out a reverse mortgage, Brown said it wouldn't have been to hurt him but to help him pay off his debts.

## **Two Members of Reverse Mortgage Fraud Ring Plead Guilty**

Just last month Kelsey Torrey Hull, 38, and Jonathan Alfred Kimpson, 27, both of Lithonia, Georgia, pleaded guilty in federal district court to a conspiracy to defraud reverse mortgage lenders and the Federal Housing Administration (FHA) insurer of the loans. Hull pleaded guilty to an additional bank fraud charge involving mortgage fraud, and Kimpson pleaded to an additional identity theft charge.

U.S. Attorney Sally Quillian Yates said, “These defendants plead to profiting from the corruption of a FHA-insured program designed to assist seniors with either cash for equity in their home or with funds toward the purchase of a home.

“These defendants changed real estate records and used other fake documents to place seniors in houses worth only a fraction of the amounts represented, and divert loan proceeds to themselves. With these prosecutions, we have taken a significant step to stop this type of crime.”

Inspector General Kenneth Donahue, U.S. Department of Housing and Urban Development (HUD) said, “HUD’s Home Equity Conversion Mortgage Program was created to help senior citizens find greater financial security through FHA-insured reverse mortgage loans. The HUD Office of Inspector General will aggressively investigate those who would prey on America’s senior citizens through reverse mortgage fraud, and encourages anyone having knowledge of such schemes to contact our HUD Hotline at 1-800-347-3735.”

Reverse mortgages were designed to assist with the financial security of seniors, ages 62 or older. There are two types of reverse mortgages.

In a “**refi-reverse**,” the senior homeowner receives money from the lender for a portion of the equity in the home they own.

In a “purchase money reverse,” the senior receives money from the lender toward the purchase of a new home.

Under both types of reverse mortgages, the senior does not have to repay the lender for as long as the senior lives in the home. However, refi-reverse mortgages fund only a percentage of the property value, requiring significant equity to remain in the property, and purchase money reverse mortgages require a significant down payment from the senior borrowers to establish equity in the property.

The equity must remain in the home to cover loan principal, interest, insurance, and servicing costs upon FHA sale of the property when no longer occupied by the senior.

Hull and Kimpson took advantage of the system by faking the required seniors’ down payments needed to qualify for the FHA-insured purchase money reverses, according to investigators.

The defendants did this through bogus “gift” letters from “relatives” in amounts between \$50,000 and \$105,000. They also used fake “HUD-1” Settlement Statements purporting to document the sale of the senior’s non-existent assets.

All down payments were actually supplied by the defendants, not the senior citizens, to be returned to the defendants upon the reverse loan closings, along with profits substantially in excess of the true sales prices of the properties.

The return of funds to the defendants were disguised as either seller proceeds or lien payoffs. All such fraudulently obtained reverse mortgages included inflated appraisals.

Kimpson’s plea to aggravated identity theft relates to his use of the stolen identity of realtors and their password to falsify Georgia Multiple Listing Service (MLS) records to create fake property listings and sales at inflated amounts in support many of the fraudulent appraisals.

Hull also committed refi-reverse fraud by transferring properties into seniors’ names to obtain refi-reverse mortgages at fraudulently inflated amounts. He thereby avoided the down payment requirement for purchase money reverses, and was able to divert loan proceeds to his shell companies, disguised as lien payoffs.

Hull was charged by a criminal information on Feb. 25, 2010. Hull could receive a maximum sentence of up to 30 years in prison and a fine of up to \$1,000,000 on each of the conspiracy and bank fraud counts.

Kimpson was indicted on Feb. 24, 2010. Kimpson could receive a maximum sentence of up to 30 years in prison and a fine of up to \$1,000,000 on the conspiracy count, as well as a mandatory consecutive sentence of two years in prison and a fine of up to \$250,000 on the aggravated identity theft charge.

Sentencing's for both Hull and Kimpson are scheduled for July 16, 2010, beginning at 2 p.m., before U.S. District Judge Julie E. Carnes.

## **Warning for Seniors on Reverse Mortgage Scams**

The FBI and the U.S. Department of Housing and Urban Development Office of Inspector General (HUD-OIG) urge consumers, especially senior citizens, to be vigilant when seeking reverse mortgage products. Reverse mortgages, also known as Home Equity Conversion Mortgages (HECM), have increased more than 1,300 percent between 1999 and 2008, creating significant opportunities for fraud perpetrators.

Reverse mortgage scams are engineered by unscrupulous professionals in a multitude of real estate, financial services, and related entities to steal the equity from the property of unsuspecting senior citizens aged 62 or older or to use these seniors to unwittingly aid the fraudsters in stealing equity from a flipped property.

In many of the reported scams, victim seniors are offered free homes, investment opportunities, and foreclosure or refinance assistance; they are also used as straw buyers in property flipping scams.

Seniors are frequently targeted for this fraud through local churches, investment seminars, and television, radio, billboard, and mailer advertisements.

A legitimate HECM loan product is insured by the Federal Housing Authority (FHA). It enables eligible homeowners to access the equity in their homes by providing funds without incurring a monthly payment. Eligible borrowers must be 62 years or older who occupy their property as their primary residence and who own their property or have a small mortgage balance. Seniors should consider the following:

- Do not respond to unsolicited advertisements.
- Be suspicious of anyone claiming that you can own a home with no down payment.
- Do not sign anything that you do not fully understand.
- Do not accept payment from individuals for a home you did not purchase.
- Seek out your own reverse mortgage counselor.

If you are a victim of this type of fraud and want to file a complaint, please submit information through our [electronic tip line](#) or through [your local FBI office](#). You may also file a complaint with HUD-OIG at [www.hud.gov/complaints/fraud\\_waste.cfm](http://www.hud.gov/complaints/fraud_waste.cfm) or by calling HUD's Hotline at 1-800-347-3735.

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