

South Florida BUSINESS JOURNAL

July 6-12, 2007

Former bad guy turns good to help fight mortgage fraud

BY ED DUGGAN

As the number of mortgage fraud victims increases, some local ones may find help from an unlikely source: Michael J. Sichenzia, an investigator who has twice been convicted of fraud.

For offenses relating to selling securities and mortgages in upstate New York, Sichenzia spent four years in prison. But the former bad guy said he's now a good guy since joining the Deerfield Beach law firm of Glinn Somera & Silva as its chief investigator and becoming COO of Dynamic Consulting Enterprises, helping to stop foreclosures and do mortgage workouts and due diligence analyses.

When a family in Fort Lauderdale was facing foreclosure, it sought Sichenzia as its last hope. So did an investor in Miami who had partnered with a company running a scheme to help homeowners facing foreclosure by buying their houses and renting them back to them. Instead, they drained the equity from the homes and didn't make payments, cheating the investor and homeowners.

The Fort Lauderdale family apparently did not experience mortgage fraud, just lender indifference. Funds were available in a 401(k) plan that could be used to reinstate the loan, but the family were stuck in an automated phone system, trying to get a reinstatement figure from the bank and jump through the hoops of the fund administrator for a hardship disbursement. It took Sichenzia days to reinstate the loan, he said, which happened just hours before foreclosure.

For the investor, the law firm is stopping foreclosure on the homes acquired in his name by the scheme and it is seeking recovery for him, as well as credit repair.

Sichenzia said his mission is to help individuals, investors and financial institutions find and prevent misrepresentation and fraud in real estate mortgages and transactions.

"I can usually spot a fraud within 10 minutes of analyzing a deal," he said.

Real estate analyst Jack McCabe, CEO of McCabe Research & Consulting, has been warning about mortgage fraud for the last two years. Now, the troubling figures confirm his former anecdotal suspicions.

"A rising market masked much of the fraud for a time," he said. "Now comes the torrent on the downside."

The FBI agrees. It estimates mortgage loan fraud may exceed \$4.2 billion from mortgages generated in 2006 alone.

Sichenzia calls today's residential mortgage industry "one big fraud from start to finish" and recommends federal licensing and regulation of the mortgage industry, similar



Michael J. Sichenzia has joined a Deerfield Beach law firm as its chief investigator.

MARK FREERKS

GLINN SOMERA & SILVA

Chief Investigator: Michael J. Sichenzia
Web site: www.servingthepeople.com
Address: 212 N. Federal Highway, Deerfield Beach 33441
Phone: (954) 426-5553
E-mail: michael@servingthepeople.com

to what the Securities and Exchange Commission does in the securities industry.

"I think we'll see the start of one in as little as two years - including the federal licensing of mortgage brokers," he said.

Other South Florida law firms have set up or are in the process of setting up mortgage fraud, foreclosure and workout departments.

Palm Beach Gardens-based law firm Ryan and Ryan has developed a niche by helping unwilling buyers avoid the closing table.

Greenspoon Marder recently formed its own Loan Default Solution Department, according to attorney Marisol Morales, who heads the unit. It represents mortgage lenders and servicers throughout Florida in the field of creditors' rights. Law firm Arnstein & Lehr has an active department handling foreclosures, mortgage fraud and related mortgage transactions.

Arnstein & Lehr partner Shari Olefson said the runaway local real estate market during the last five years attracted hundreds of fast-buck artists and mortgage fraud is rampant.

Florida is No. 1 in mortgage fraud, according to the Mortgage Asset Research Institute (MARI) in Reston, Va.



Olefson

The most common type involves falsified employment histories and exaggerated income by borrowers or brokers.

Some mortgage lenders are proactive.

The subprime department of American Guardian Home Loans in Lake Forest, Calif., a wholesale mortgage lender specializing in Alt-A and subprime loans, is legally pursuing corrupt brokers who have falsified appraisals, property information, borrower tax filings, W-2 statements, pay stubs or bank statements to get loans.

"We conduct business in 10 states and, so far, not one of our legitimate borrowers has defaulted on their loans," said Kamran Khosravi, president of American Guardian Home Loans.

His company has experienced brokers committing fraud and borrowers defaulting on those fraudulently acquired loans. Now, he is making those brokers buy back the loans. Some investigations involving large rings have the assistance of the FBI, while others receive assistance from state regulatory agencies and private investigators.

Miami-Dade County is the worst area in the nation for mortgage fraud, according to Michael Kenny, VP at the warehousing division of California-based Gateway Bank, a bridge lender to American Guardian Home Loans.

"We have a dozen good



Khosravi



Kenny