

Mortgage origination fraud and the global economic crisis

A criminological analysis

Tomson H. Nguyen, Henry N. Pontell

First published: 11 July 2010

<https://doi.org/10.1111/j.1745-9133.2010.00653.x>

✉ Direct correspondence to Tomson H. Nguyen, University of Houston—Downtown, Department of Criminal Justice, One Main Street, Suite 330. F, Houston, TX 77004 (e-mail: nguyento@uhd.edu); Henry N. Pontell, Department of Criminology, Law, and Society, School of Social Ecology, University of California, Irvine, CA 92697. (e-mail: pontell@uci.edu).



Abstract

Research Summary

The study outlined in this article analyzed the responses of 23 subjects previously and currently employed in the subprime lending industry to understand the implications and role of white-collar crime in the contemporary subprime mortgage crisis and to document the rationalizations that offenders use to explain their involvement in mortgage-related crimes. The subjects represented five sectors of the primary mortgage market, including brokerage, lender, escrow, title, and appraisal offices. Secondary sources of data for the study included media accounts, government reports, and industry studies. The research findings detail accounts of mortgage frauds in the subprime lending industry that resulted from inadequate regulation, the indiscriminate use of alternative loan products, and the lack of accountability in the industry.

Policy Implications

The study results suggest that the problem of mortgage origination fraud would be prevented best by major reform of financial policies and lending practices that characterize the subprime mortgage industry. Several broad recommendations are proposed in this article that highlight the

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

Abate, Tom. 2009. California had most subprime loans, study says. San Francisco Chronicle. Retrieved July 21, 2009 from sfgate.com/cgi-bin/article.cgi?f=/c/a/2009/05/07/MNF417FUBR.DTL&type=business.

[Google Scholar](#) 

BasePoint Analytics. 2007. *New Early Payment Default: Links to Fraud and Impact on Mortgage Lenders and Investment Banks*. White paper. Carlsbad , CA : BasePoint Analytics.

[Google Scholar](#) 

Benson, Michael L. 1985. Denying the guilty mind: Accounting for involvement in white-collar crime. *Criminology*, 23: 583–608.

[Web of Science®](#)  | [Google Scholar](#) 

Black, William K. 2005. *The Best Way to Rob a Bank is to Own One: How Corporate Executives and Politicians Looted the S&L Industry*. Austin , TX : University of Texas Press.

[Google Scholar](#) 

Black, William K. 2008. Why Greenspan's & Bush's Regulatory Failures Allowed a “Criminogenic Environment.” Paper presented at the Levy Institutes Minsky Conference, Annandale-on-Hudson, NY.

[Google Scholar](#) 

Black, William K. 2009. Bill Moyer's journal. PBS.org Retrieved June 2, 2009 from pbs.org/moyers/journal/04032009/transcript1.html.

[Google Scholar](#) 

Black, William K, Kitty Calavita, and Henry N. Pontell. 1995. The savings and loan debacle of the 1980s: White-collar crime or risky business *Law and Policy*, 17: 23–55.

[Google Scholar](#) 

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#) 

Manage Preferences

Accept All

Reject Non-Essential

Coleman, James W. 2002. *The Criminal Elite: The Sociology of White-Collar Crime*, 5th edition. New York : St. Martins.

[Google Scholar](#)

Conklin, John E. 2004. *Criminology*, 8th edition. Boston , MA : Pearson.

[Google Scholar](#)

Department of Justice. 2008. *Federal Authorities Announce Significant Regional Federal Mortgage Fraud Investigations and Prosecutions Coinciding with Nationwide "Operation Malicious Mortgage" Takedown*. Department of Justice Press Release. Retrieved January 3, 2009 from sacramento.fbi.gov/dojpressrel/pressrel08/sc061908a.htm.

[Google Scholar](#)

Dexter, Lewis A. 1970. *Elite and Specialized Interviewing*. Evanston , IL : Northwestern University Press.

[Google Scholar](#)

Doocy, Jeffrey, David Shichor, Dale Secest, and Gilbert Geis. 2001. Telemarketing fraud: Who are the tricksters and what makes them tick *Security Journal*, 14: 7-26.

[Google Scholar](#)

Federal Bureau of Investigation. 2003. *Financial Crimes Section: Financial Institution Fraud Unit, Mortgage Fraud: A Guide for Investigators*. Washington , DC : Author.

[Google Scholar](#)

Federal Bureau of Investigation. 2007. 2006 Mortgage Fraud Report. Retrieved August 21, 2009 from fbi.gov/publications/fraud/mortgage_fraud06.htm.

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

Financial Crimes Enforcement Network (FinCEN). 2007. The SAR Activity Review—By the Numbers. Retrieved June 3, 2008 from fincen.gov/news_room/rp/files/sar_by_num_09.pdf.

[Google Scholar](#) 

Financial Crimes Enforcement Network (FinCEN), Regulatory Policy and Programs Division. 2006. *Mortgage Loan Fraud Connections with Other Financial Crime: An Evaluation of Filed by Money Services Businesses, Securities and Futures Firms, Insurance Companies and Casinos*. Report analysis. Washington, DC : U.S. Department of Treasury.

[Google Scholar](#) 

Galbraith, James. 2009. No return to normal: Why the economic crisis, and its solution, are bigger than you think. Washington Monthly. Retrieved July 26, 2009 from washingtonmonthly.com/features/2009/0903.galbraith.html.

[Google Scholar](#) 

Global Insight. 2007. U.S. Metro Economies: The Mortgage Crisis. Retrieved June 2, 2009 from usmayors.org/metroeconomies/1107/report.pdf.

[Google Scholar](#) 

Greenspan, Alan. 2008. We will never have a perfect model of risk. Financial Times. Retrieved January 3, 2009 from ft.com/cms/s/0/eddbcf6-f360-11dc-b6bc-0000779fd2ac.html?nclick_check=1.

[Google Scholar](#) 

House Committee on Financial Services. 2009. Press Release: March 26, 2009. Miller, Watt and Frank Introduce National Mortgage Reform and Anti-Predatory Lending Bill. Retrieved December 20, 2009 from house.gov/apps/list/press/financialsvcs_dem/press0326098.shtml.

[Google Scholar](#) 

Jesilow, Paul, Henry N. Pontell, and Gilbert Geis. 1993. *Prescription for Profit: How Doctors Defraud Medicaid*. Berkeley : University of California Press.

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#) 

[Manage Preferences](#)

[Accept All](#)

[Reject Non-Essential](#)

Larson, Stephanie G. 2005. *Media and Minorities: The Politics of Race in the News and Entertainment Media*. Lanham , MD : Rowman & Littlefield.

[Google Scholar](#) 

Levi, Michael. 1984. Giving creditors the business: The criminal law in inaction. *International Journal of the Sociology of Law*, 12: 321-333.

[Web of Science®](#)  | [Google Scholar](#) 

Lloyd, Carol. 2006. Mortgage fraud—The worst crime no ones heard of. San Francisco Chronicle, p. K-2.

[Google Scholar](#) 

Lofland, John and Lyn Loftland. 1971. *Analyzing Social Settings: A Guide to Qualitative Observation and Analysis*. Belmont , CA : Wadsworth.

[Google Scholar](#) 

Mortgage Bankers Association. 2007. Mortgage Fraud: Strengthening Federal and State Fraud Prevention Efforts. Retrieved June 3, 2008 from mortgagebankers.org/files/News/InternalResource/57274_Study.pdf.

[Google Scholar](#) 

Needleman, Martin L. and Carolyn Needleman. 1979. Organizational crime: Two models of criminogenesis. *The Sociological Quarterly*, 20: 517-528.

[Web of Science®](#)  | [Google Scholar](#) 

Pontell, Henry N. and Kitty Calavita. 1993. Organizational crime in the savings and loan industry. In (Michael H. Tonry and Albert J. Reiss, eds.), *Beyond the Law: Crime in Complex Organizations*. Chicago , IL : University of Chicago Press.

[Google Scholar](#) 

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

Sasseen, Jane. 2008. FBI widens net around subprime industry. Times Online. Retrieved July 24, 2009 from business.timesonline.co.uk/tol/business/markets/united_states/article3275102.ece.

[Google Scholar](#) 

Schloemer, Ellen, Keith Ernst, and Kathleen Keest. 2006. Losing Group: Foreclosures in the subprime market and their cost to homeowners. Center for Responsible Lending. Retrieved January 4, 2009 from responsiblelending.org/mortgage-lending/research-analysis/foreclosure-paper-report-2-17.pdf3.

[Google Scholar](#) 

Schmitt, Richard B. 2008. Federal sweep triggered by mortgage crisis nets over 400 for alleged scams. Los Angeles Times. Retrieved December 2, 2009 from articles.latimes.com/2008/jun/20/business/fi-mortgage20.

[Google Scholar](#) 

Sharick, Merle, Erin E. Omba, Nick Larson, and James D. Croft. 2006. *Eighth Periodic Mortgage Fraud Case*. Report to the Mortgage Bankers Association. Reston , VA : Mortgage Asset Research Institute.

[Google Scholar](#) 

Shover, Neal and Glenn S. Coffey. 2002. Origins, Pursuits, and Careers of Telemarketing Predators. Final Report to NIJ. Grant 00-IJ-CX-0028.

[Google Scholar](#) 

Shover, Neal and Andy Hochstetler. 2006. *Choosing White-Collar Crime*. Cambridge , MA : Cambridge University Press.

[Google Scholar](#) 

Shover, Neal and Ben W. Hunter. 2010. Blue-collar, white-collar: Crimes and mistake. In (Win Bernasco, ed.), *Offenders on Offending: Learning about Crime from Criminals*. Cullompton , U.K. : Willan.

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#) 

[Manage Preferences](#)

[Accept All](#)

[Reject Non-Essential](#)

Sykes, Gresbam and David Matza. 1957. Techniques of neutralization: A theory of delinquency. *American Sociological Review* 22: 667-670.

[Web of Science®](#) | [Google Scholar](#)

Tillman, Robert and Henry N. Pontell. 1995. Organizations and fraud in the savings and loan industry. *Social Forces*, 73: 1439-1463.

[Google Scholar](#)

Statutes Cited

Community Reinvestment Act, 12 U.S.C. § 2901 (1977).

[Google Scholar](#)

Mortgage Reform and Anti-Predatory Lending Act, 15 U.S.C. § 1641 (2009).

[Google Scholar](#)

Real Estate and Settlement Procedures Act, 12 U.S.C. § 2601 (1974).

[Google Scholar](#)

Citing Literature

[Download PDF](#)

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

Contact Us
Training and Support
DMCA & Reporting Piracy
Sitemap

OPPORTUNITIES

Subscription Agents
Advertisers & Corporate Partners

CONNECT WITH WILEY

The Wiley Network
Wiley Press Room

Copyright © 1999-2026 John Wiley & Sons, Inc or related companies. All rights reserved, including rights for text and data mining and training of artificial intelligence technologies or similar technologies.

WILEY

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)



Manage Preferences

Accept All

Reject Non-Essential