



Did mortgage fraud trigger the global financial collapse?

Mortgage fraud can artificially inflate house prices and this was a contributory factor to the credit crunch, according to Clive Whitfield-Jones, a solicitor and partner with law firm Jeffrey Green Russell.

Whitfield-Jones explained: "The over-valuation and over-lending associated with mortgage fraud was one of the principal engines powering the incredible and unsustainable inflation in house prices in both the UK and the US in the 21st century.

"The global crash was triggered (but not entirely caused) by the realisation that US lenders, and those who had purchased securitised sub-prime debt originated by them, would make heavy losses. I suspect that many of those losses can be traced back to fraudulent activities. So much so that it

may eventually be determined that US sub-prime losses originated, not in US sub-prime lending *per se*, but in mortgage fraud in US sub-prime lending on an unprecedented scale. Without mortgage fraudsters we might have escaped the crash or at least such a serious downturn."

Whitfield-Jones has written a comprehensive report, *Residential mortgage fraud – Boom and bust*, which describes the various methods used to carry out mortgage fraud. These include mortgage mules and straw buyers, house builders' incentives, subsale and flipping fraud, valuation fraud, new build, application fraud, air loans and investment scheme scams, such as 'Crimes of Persuasion' or 'chunking'.

The report concludes that the government should provide

the police with substantial extra funding to enable them to fight mortgage fraud.

Whitfield-Jones said: "Far too few law enforcement resources are available to counter fraud. During the boom, mortgage fraud was generally a low priority for police forces, in part because the sheer scale of the problem was understandably not recognised until unmasked by the crash. The greatest exception is the City of London Police, who wage a valiant and sophisticated campaign against high-end mortgage fraudsters."

He also believes there is a need for greater public awareness of mortgage fraud so that potential victims have a greater chance of protecting themselves and of recognising and reporting criminal activities to the authorities.