Reverse Your Thinking ®

EDUCATIONAL RESOURCE SERIES
Collaborate. Educate. Problem-Solve.

POWER OF ATTORNEY FRAUD

Recognising potential financial abuse and protecting senior borrowers in reverse mortgage transactions.



UNDERSTANDING POWER OF ATTORNEY FRAUD

As the HECM program becomes more popular, public reports of financial crimes against seniors who have access to greater funds as a result of the loan are now more prevalent.

The FBI, HUD and state attorneys general are keenly aware that dishonest actors are exploiting HECMs to defraud senior citizens.

A common scheme recognized by law enforcement is the financial abuse of a senior by a family member holding a power of attorney (POA).

WHY DOCUMENTATION MATTERS

This type of evidence will help protect the reverse mortgage professional from allegations that they had notice that the agent would misappropriate the funds or that the agent would breach the fiduciary duty and defraud the senior borrower.

HELPING PREVENT POWER OF ATTORNEY ABUSE

Here are some ways that reverse mortgage professionals can help prevent such egregious abuse:

1. Explain and educate the agent about their responsibilities and limitations as power of attorney.

2. Often, the agent will be a family member who lives with or cares for the senior borrower. Take caution to explicitly state that the loan proceeds cannot be used for the agent's benefit despite this arrangement.

3. Any discussions should be confirmed in a letter to the agent summarizing the conversation.

4. The loan file should contain notes documenting the purpose of the reverse mortgage transaction and detailing exactly what the loan proceeds will be used for.

5. The file should clearly indicate that the purpose of the loan is to benefit the borrower and that the loan proceeds will only be used for this purpose.

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