

BSA/AML Review

Bank Secrecy Act (BSA) & Anti Money Laundering (AML) Program

Compliance Reviewed February 25, 2019



CITADEL
SERVICING CORPORATION

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Where prime lending ends, Citadel Servicing begins.

Objectives

At the conclusion of the class, Citadel Servicing Corporation (CSC) employees will be able to understand the following concepts:

- Bank Secrecy Act (BSA)
- Anti-Money Laundering (AML)
- The Patriot Act
- Customer Identification Program (CIP)
- Office of Foreign Asset Control (OFAC)
- Suspicious Activity Report SAR
- Document Retention



The Bank Secrecy Act

Went into effect on October 26, 1970.

Currency Transaction Report (CTR) was created for all transactions involving \$10,000.00 or more in cash transactions.

Other names: BSA, BSA/AML, Anti-Money Laundering, Currency and Foreign Transactions Reporting Act

Purpose of Bank Secrecy Act:

That all financial institutions assist U.S. government agencies to detect and prevent money laundering.

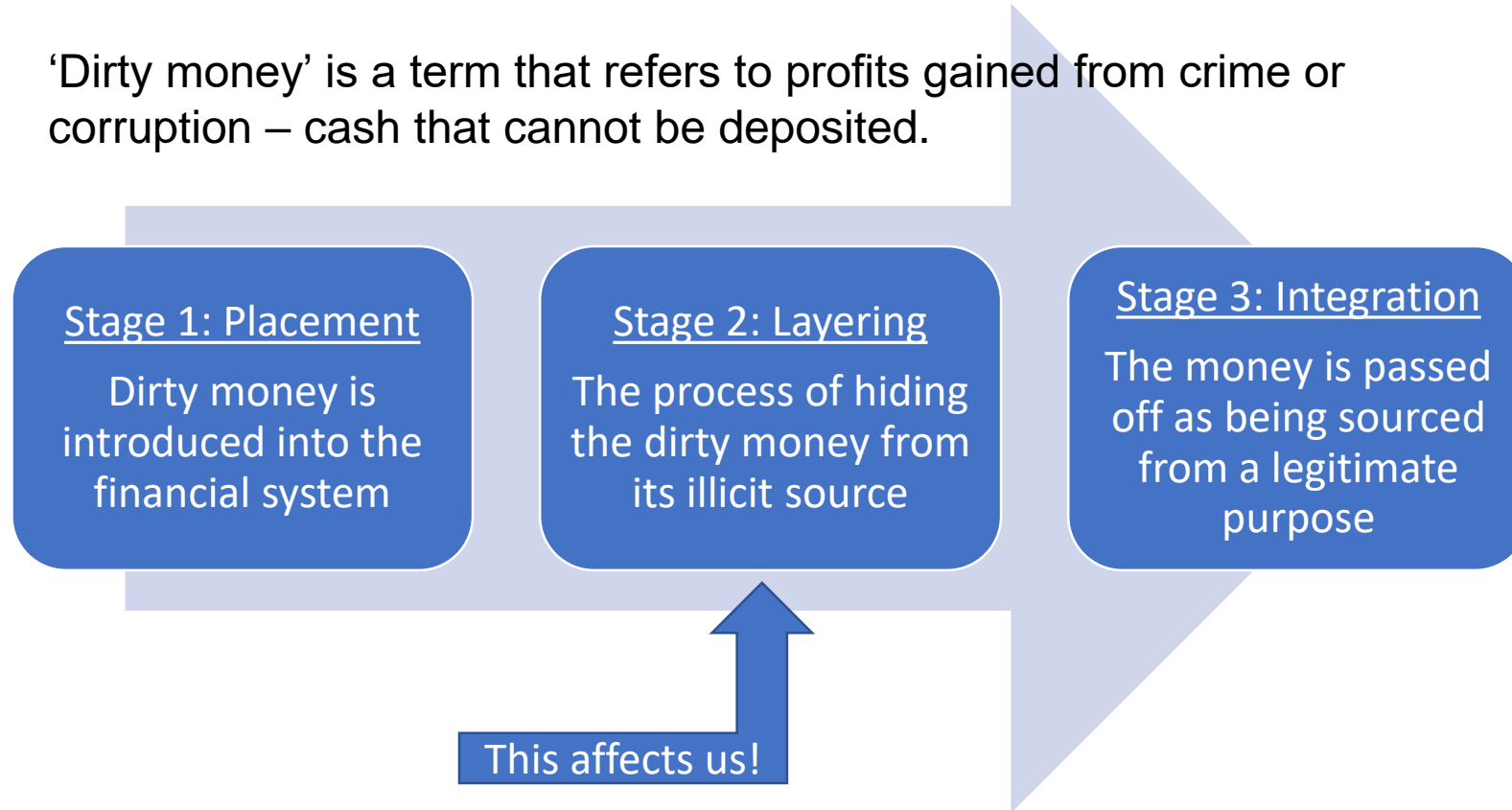
They can do this by:

- Keeping records of cash purchases.
- Filing reports of certain cash transactions.
- Filing suspicious activity reports (SAR).



What is Money Laundering?

‘Dirty money’ is a term that refers to profits gained from crime or corruption – cash that cannot be deposited.



Why is Money Laundered?

1. To avoid prosecution – criminals distance themselves from the dirty money's illegal origins, since funds are passed off as clean.
2. To increase profits – criminals can use the money to invest in legitimate businesses, which allows them to increase their profits.
3. To avoid seizure of accumulated wealth – criminals can prevent the money from being traced and seized by authorities
4. To evade taxes – because the money is hidden, taxes can't be collected on it



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Who enforces BSA/AML?

Financial Crimes Enforcement Network (FinCEN): A division of the US Department of Treasury

FinCEN is a network that oversees the sharing of information with law enforcement agencies, regulators and other partners in the Financial Industry.

They have the authority to examine financial institutions they oversee for compliance with regulations.

Their Mission:

Implement an AML program to prevent financial fraud

- Doing so will safeguard the financial system from illicit use, combat money laundering, and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.

Anti-Money Laundering Program (AML)

- In addition to FinCEN, there are other organizations that enforce AML:
 - Office of the Comptroller of the Currency
 - Board of Federal Reserve System
 - Federal Deposit Insurance Corporation (FDIC)
 - Consumer Financial Protection Bureau (CFPB)
- Who is investigating AML violations?
 - Department of Justice
 - U.S. Attorney's Offices - Asset Forfeiture and Money Laundering Section (AFMLS)
 - FBI
 - IRS



Anti-Money Laundering Program (AML) cont.

What could happen if we violate AML policies?

Criminal Penalties

- Up to 20 years in prison and a \$500,000 fine (or twice the value of property involved in the offense).

Civil Penalties

- Equal to the amount involved in transactions (if any) up to \$100,000, or \$25,000 for each violation of the program requirements, with a separate violation each day.
- At least two times the value of the transaction, up to \$1 million, for insufficient policies and controls with respect to correspondent accounts.

Civil Forfeiture

- Forfeiture of any property involved in a transaction in violation of Sections 1956, 1957 or 1960, or any property traceable to such property.

USA Patriot Act

Enforcement of BSA/AML policies are made possible through the Patriot Act.” This Act is one of the foundations of financial security—through it, CSC can actively fight against financially fraudulent activities.

Sections 314(a-b) of the Patriot Act allows and requires CSC to share financial intelligence with federal, state, local, and foreign regulator agencies to prevent money laundering and terrorist activity.

Registration with FinCEN is required for sharing information.

If a request is made, the information must **NOT** be shared with anyone. Escalate the call or request to management or the compliance officer.

One direct provision of the Patriot Act is the Customer Identification Program (CIP).

Customer Identification Program (CIP)

Purpose: CIP ensures that CSC verifies the credibility of each loan applicant.

The three main focuses of the CIP are:

1. Verifying the identity of any person applying for a mortgage loan.
2. Maintaining records of the information used to verify the person's identity.
3. Determining whether the person appears on any lists of known or suspected terrorists or terrorists organizations.

The following slide details the documentation requirements that a US citizen or non-US citizen must provide.

CIP Documentation Requirements

US Citizen

- Name
- Date and place of birth
- Residential and mailing address (PO Box not acceptable)
- AN officially issued ID number (Social Security number, Employee ID number, or Individual Taxpayer Identification number)
 - If the above cannot be provided, a valid driver's license, armed forces ID, or alien ID number are also acceptable (photo required)

Non US Citizen

- Name
- Date and place of birth
- Residential and mailing address (PO Box not acceptable)
- A U.S. Taxpayer Identification number
- A passport number and country of issuance
- An alien ID card (photo required)
- A number and country of issuance of any other government issued document evidencing nationality or residence and bearing a photo or similar safeguard

Note: All CSC non-US lending programs are reviewed on a case-by-case-basis and will require a combination (if not all) of the noted ID forms. See your manager for additional information and all questions.

Office of Foreign Asset Control (OFAC)

OFAC is an enforcement agency that maintains a “watch list” of over 10,000 individuals and entities that any U.S. person or entity cannot do business with.

- For example—North Korea, Iran, and Syria are countries that OFAC administers and enforces sanction programs against.



Office of Foreign Asset Control (OFAC) cont.

CSC is committed to the avoidance of doing business with countries, individuals and organizations that are hostile to the national security of the United States.

- In compliance with the watch list, CSC checks every name and entity noted in every application file against the OFAC list, ensuring that we do not lend to criminal or terrorist organizations.
- CSC uses additional programs to check for security like credit reports and fraud prevention tools such as FraudGUARD.



How does BSA/AML affect us?

While the Patriot Act lays the groundwork for the BSA/AML to function, programs such as CIP and enforcement agencies like OFAC help make sure financial institutions remain compliant in mortgage lending practices.

CSC resolves to stay vigilant in the pursuit of protecting our loans and resolves to relay important information to authorities, ensuring that we do not play a part in the money laundering process.

The policies of BSA/AML allow CSC to file Suspicious Activity Reports, sharing all the financial intelligence that we can give to federal, state, and local agencies. Every file we handle will be in the interest of ensuring protected transactions with credible borrowers.

Examples

Federal Judge Sentences Former Vallejo Man to 10 Years for Mortgage Fraud Scheme

From 2004 to 2007, financial housing guru Karim Akil and at least five other individuals engineered a scheme to buy up Northern California properties, promising 100% financing for straw buyers. Akil and his group then walked away from the mortgage payments several months after the purchases.

Akil's fraud affected properties that went into default and foreclosure, straw buyers whose credit was destroyed, an escrow company that went out of business, and more.

Akil and his co-conspirators stole nearly \$10 million.

Akil directed straw buyers to sign mortgage loan applications that contained false information and false supporting documents, and paid the straw buyers thousands of dollars in exchange for allowing the defendants to purchase property in their names.

Akil also hired notary publics who were willing to notarize documents by falsely attesting to having witnessed signature on loan documents when in fact those documents were not signed in their presence.

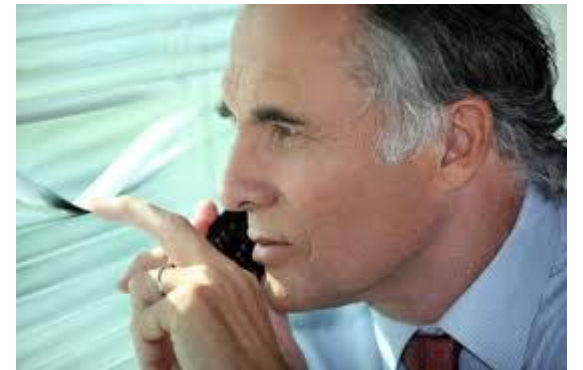
Other defendants included Akil's personal assistant, an escrow officer, and agents paid to recruit straw buyers to purchase real property. They were all paid hundreds of thousands of dollars for their involvement in the scheme.

A guilty plea was entered by Akil in 2012, but he went back to his scheming ways to defraud people in 2012 and 2013 while awaiting sentencing.

On May 11, 2017, Karim Akil was sentenced in U.S. District Court to 10 years in prison as the leader of the fraud.

Suspicious Activity Report (SAR)

- **Purpose:** to report known or suspected violations of AML policies.
- Mortgage Lenders are required to file a SAR for any transaction involving \$5,000 or more, when there is reason to believe (but not limited to) the following:
 - The funds are derived from an illegal activity.
 - The transaction was made in hopes of evading BSA oversight.
 - Suspicious trends that indicate an almost “too perfect” transaction.
 - It was initiated by the borrower in order to use CSC to facilitate a criminal activity.



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SARs cont.

SARs are **CONFIDENTIAL** and are mandated as such by Federal Law.

- You may not notify or disclose any information to the individual with whom you suspect of conducting suspicious activity.
- If you are aware of an unauthorized disclosure of a SAR, you must notify the Compliance Office who will then contact FinCEN.

All CSC SARs will be filed by the Compliance Officer.

If you see suspicious activity **you** can fill out a **SATR (Suspicious Activity Tracking Report)** and give it to your supervisor; who will then give it to Robert for investigation.

Voluntary SARs Filings

- Even if reporting is not required, CSC may file a report of any suspicious transaction it believe relevant to the possible violation of any law or regulation.
- The decision to file a SAR should be made by CSC's compliance department generally made within 30 days of the discovery of facts requiring the filing.
- **If in doubt CSC should generally elect to file a SAR.**

Internal Source of Suspicious Activity

- A SARs can also be filed on individuals working within the company. The following are examples of internal suspicious activity:
 - Employees whose lifestyles cannot be supported by his/her salary.
 - An employee who is reluctant to take a vacation, which may indicate that he/she has agreed, or is being forced, to provide services to one or more customers in violation of the law or company policy.
 - An employee who is associated with an unusually large number of transactions or transactions in unusually large amounts.



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External Source of Suspicious Activity

The following are typical mortgage fraud suspicious activities/“Red Flags” that are required to be reported.

False statements made by the borrower or co-borrower

Use of straw buyers - when a second person other than the borrower uses their credit to purchase a property but won't actually own it, resulting in identity theft

- Example - FBI agents arrested several individuals in a \$130 million scheme orchestrated by the local chapter of a motorcycle gang. The conspirators posed as mortgage brokers, appraisers, real estate agents, and title agents and used straw buyers to obtain around 500 mortgages on only 180 properties.

External Suspicious Activity (cont.)

- In June 2015, CSC closed and funded a loan that was made in reliance upon fraudulent statements and identification, which was recorded with the signature of a notary that was not licensed.
- After closing and funding the loan, the first three payments were paid by the fraudsters, and then the payments suddenly stopped, so a foreclosure action was commenced, at which point CSC realized that the grant deed was never properly recorded.
- CSC reached out the FBI to report the fraud, and the entire process has been lengthy and expensive, involving multiple jurisdictions and government agencies.
- The compliance review of the file later uncovered that if established protocols had been followed, and discrepancies validated, the loss could have been prevented entirely.



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How do we know when a file is being investigated?

BytePro Enterprise - [6003305 : Home]

File Edit Goto Interfaces Tools Customize Window Help

Pipeline Dashboard Tasks Reports Cardex Trades

6003305:LEON X

Help on Searching

Search Clear

Matching Exact

File Name

First Name

Last Name

Property

First Name 2

Last Name 2

Statutes Not Filtered

New File Open File Quick Info Rename Copy Move Delete Undo Purge

The search criteria matched more than 500 files. The 500 most recently modified files are shown. [Click here](#) to edit search details.

CSC Master Report DD-Amber DD-Ernestina DD-Jason DD-Melissa DD-Rosie DD-Shawnee Funder Assistant Tracker Funder-Dale Funder-Hilario Funder-Jason Funder-Melissa Funder-Rosie Funder-Shawnee Funder-Yama Funding Change In Circumstance CD

Funding Tracker Initial CD Tracker JR Transaction Manager Tracker Manny Rodriguez Correspondent RETAIL - Bob Soto RETAIL - David Mann RETAIL - Eddie Grijalva RETAIL - Eric Rogers RETAIL - Erol Senel RETAIL - Robert Banning Secondary Tracker TM - Michael Alexander

TM - William Dennis TM-Bryan TM-Carla TM-Charyl TM-Jennifer TM-Laura TM-Lisa TM-Luis TM-Manny TM-Stephaniz TM-Trudy TM-William Valuations Tracker

7006502	Rashti	Jaye Craft	StephanieP	LC	American Financial Netw...	999,950.00	6,000	A	53.62	Investment...	Refinance	Change In...	Encino	CA	11/01/2016	09/13/2016	Full	09/16/2016	09/24/2016	09/16/2016	
7005766	Melendez	Raul Sand...	StephanieP	EL	Old J Corporation	75,000.00	8,375	A	80.00	Primary R...	Purchase	Bakersfield	CA	10/13/2016	10/11/2016	Full	10/12/2016	10/20/2016	10/12/2016		
7005714	Carroll	Craig Sch...	StephanieP	CL	Alcovra Mortgage LLC	880,000.00	7,625	A	80.00	Primary R...	Purchase	Weddington	NC	10/06/2016	10/06/2016	Full	10/06/2016	10/14/2016	10/06/2016		
700320	Wrasnaki	Andrew G...	StephanieP	CS	Kerston, Peter Guy	75,000.00	10,800	B	15.00	Primary R...	Refinance	Cash-Ow/...	Guernville	CA	10/05/2016	09/29/2016	Full	10/03/2016	10/11/2016	10/03/2016	
700394	Serrano	Jaye Craft	StephanieP	TL	KRIKABO Incorporated	465,000.00	6,125	A	71.54	Primary R...	Refinance	Limited Ca...	Concord	CA	09/28/2016	09/21/2016	Full	09/23/2016	10/01/2016	09/23/2016	
700394	Toney	Jaye Craft	StephanieP	CS	ReNew Lending, Inc.	600,000.00	7,250	A	80.00	Primary R...	Refinance	Limited Ca...	Phoenix	AZ	09/20/2016	09/07/2016	24-Mths B...	09/09/2016	09/17/2016	09/09/2016	
700394	Montgomery	Karen Pet...	StephanieP	CL	Mainsail Capital Mortg...	163,750.00	7,750	C	75.00	Primary R...	Refinance	Cash-Ow/...	Tampa	FL	09/13/2016	09/09/2016	Full	09/13/2016	09/21/2016	09/13/2016	
700394	Wintz	Craig Sch...	StephanieP	TL	Smart Financial Services...	84,500.00	9,750	C	64.02	Primary R...	Refinance	Cash-Ow/...	Marion	WI	09/09/2016	08/06/2016	Full	08/09/2016	08/17/2016	08/09/2016	
700394	Wintz	Craig Sch...	StephanieP	JC	Bayview Residential Bro...	242,250.00	7,375	B	85.00	Primary R...	Purchase	Valley Spr...	CA	09/02/2016	08/31/2016	Full	09/01/2016	09/09/2016	09/01/2016		
700394	Wintz	Craig Sch...	StephanieP	LC	Metro Brokers Financial...	71,900.00	8,375	B	79.98	Primary R...	Purchase	Rex	GA	09/02/2016	08/31/2016	24-Mths B...	09/01/2016	09/09/2016	09/01/2016		
700394	Wintz	Craig Sch...	StephanieP	LC	Founders Mortgage Inc	450,000.00	7,500	B	79.37	Primary R...	Purchase	Change In...	Littleton	CO	09/01/2016	08/22/2016	Full	08/23/2016	09/01/2016	08/23/2016	
700394	Wintz	Karen Pet...	StephanieP	JR	Home1st Lending LLC	100,000.00	8,250	A	64.62	Primary R...	Refinance	Cash-Ow/...	Palm Bea...	FL	09/01/2016	08/30/2016	Full	08/31/2016	09/08/2016	08/31/2016	
700394	Wintz	Craig Sch...	StephanieP	LC	Huntl Mortgage Services...	104,000.00	7,500	A	80.00	Primary R...	Purchase	Oklahoma...	OK	08/22/2016	08/18/2016	24-Mths B...	08/18/2016	08/26/2016	08/18/2016		
700394	Wintz	Craig Sch...	StephanieP	LC	Crown Mortgage	200,000.00	8,750	ODF	70.42	Investment...	Purchase	Corona	CA	08/10/2016	07/26/2016	DSCR+	07/27/2016	08/04/2016	07/27/2016		
700394	Wintz	Craig Sch...	StephanieP	CL	Universal Mortgage & F...	1,000,000.00	6,875	A	79.43	Primary R...	Purchase	Doral	FL	08/09/2016	08/06/2016	Full	08/08/2016	08/16/2016	08/08/2016		
700394	Wintz	Karen Pet...	StephanieP	JR	innovative Mortgage Ser...	217,750.00	8,750	ODF	65.00	Secondary...	Purchase	Orlando	FL	07/29/2016	07/13/2016	Foreign N...	07/14/2016	07/22/2016	07/14/2016		
700394	Wintz	Raul Sand...	StephanieP	CL	Family First Funding LLC	290,000.00	9,875	A	26.36	Primary R...	Second	Cash-Ow/...	Fort Laude...	FL	07/20/2016	07/01/2016	Full	07/05/2016	07/13/2016	07/05/2016	
700394	Wintz	Craig Sch...	StephanieP	LC	Highland Mortgage Grou...	159,250.00	6,625	B	63.70	Primary R...	Refinance	Cash-Ow/...	Loganville	GA	06/30/2016	06/29/2016	Full	06/30/2016	07/08/2016	06/30/2016	
700394	Wintz	Jaye Craft	StephanieP	TL	MAE Capital Mortgage Inc	80,000.00	10,250	B	9.94	Primary R...	Second	Cash-Ow/...	Lotus	CA	06/22/2016	06/20/2016	Full	06/22/2016	06/30/2016	06/22/2016	
700394	Wintz	Jaye Craft	StephanieP	LE	American Financial Netw...	340,000.00	8,000	A	61.82	Investment...	Refinance	No Cash...	Friendswood	TX	06/21/2016	06/18/2016	Full	06/20/2016	06/28/2016	06/20/2016	
700394	Wintz	Theresa K...	StephanieP	TL	ARC FINANCIAL, INC	85,000.00	9,000	ODF	65.00	Investment...	Refinance	Cash-Ow/...	Veneta	PA	05/13/2016	04/07/2016	DSCR+	04/11/2016	04/19/2016	04/11/2016	
700394	Wintz	Craig Sch...	StephanieP	JR	Kalib Advisors Mortgage...	739,500.00	7,750	A	85.00	Primary R...	Purchase	Southwest...	FL	05/08/2016	05/03/2016	Full	05/06/2016	05/14/2016	05/06/2016		
700394	Wintz	Raul Sand...	StephanieP	JR	Lord Mortgage	115,000.00	6,625	A	32.86	Primary R...	Refinance	Cash-Ow/...	East Strou...	PA	05/25/2016	04/19/2016	24-Mths B...	04/20/2016	04/28/2016	04/20/2016	
700394	Wintz	Scarano	StephanieP	SF	Globe Mortgage Inc	97,500.00	8,500	B	65.00	Primary R...	Purchase	Miami	FL	05/25/2016	05/06/2016	24-Mths B...	05/09/2016	05/17/2016	05/09/2016		
700394	Wintz	Craig Sch...	StephanieP	SM	Lenox Financial Group LLC	314,500.00	7,625	A	85.00	Primary R...	Purchase	Nashville	TN	05/24/2016	05/03/2016	24-Mths B...	05/03/2016	05/11/2016	05/03/2016		
700394	Wintz	Augustine	Craig Sch...	StephanieP	CS	Highland Mortgage Grou...	104,000.00	6,625	A	61.18	Investment...	Refinance	Cash-Ow/...	Atlanta	GA	05/20/2016	03/31/2016	Full	04/04/2016	04/12/2016	04/04/2016
7004273	Jorgensen	Raul Sand...	StephanieP	TL	Platinum Home Lending I...	357,500.00	8,125	A	85.00	Secondary...	Refinance	No Cash...	Mukiteto	WA	05/19/2016	05/16/2016	Full	05/18/2016	05/26/2016	05/18/2016	
7004236	Torleimo	Jaye Craft	StephanieP	CL	1st Point Lending, INC	96,000.00	8,990	ODF	80.00	Investment...	Refinance	No Cash...	Hanford	CA	05/18/2016	05/12/2016	DSCR+	05/18/2016	05/24/2016	05/18/2016	
7004177	Tadeo	Raul Sand...	StephanieP	CL	CALIFORNIA REAL EST...	504,000.00	7,250	A	90.00	Primary R...	Purchase	Whittier	CA	05/12/2016	05/09/2016	Full	05/11/2016	05/19/2016	05/11/2016		
7004133	Castagnola	Jaye Craft	StephanieP	CS	ReFi	626,995.00	6,500	A	72.32	Primary R...	Refinance	Cash-Ow/...	Petaluma	CA	05/11/2016	05/05/2016	Full	05/09/2016	05/17/2016	05/09/2016	
7003684	Epps-Mayo	Denise Kelly	StephanieP	RP	CBC National Bank	574,850.00	7,500	A	79.99	Primary R...	Purchase	Scottsdale	AZ	05/10/2016	03/21/2016	24-Mths B...	03/22/2016	03/30/2016	03/22/2016		
7004054	Rezyayan	Jaye Craft	StephanieP	JR	American Financial Netw...	650,000.00	6,250	A	65.00	Primary R...	Refinance	Cash-Ow/...	San Carlos	CA	05/04/2016	04/29/2016	24-Mths B...	04/29/2016	05/07/2016	04/29/2016	
7003754	Kash	Karen Pet...	StephanieP	RP	American residential lend...	80,000.00	8,125	A	38.10	Primary R...	Refinance	Cash-Ow/...	Freehold	NJ	04/14/2016	03/31/2016	Full	04/01/2016	04/09/2016	04/01/2016	
7003257	Banks	Daniel Kwon	StephanieP	EL	SIGNATURE FINANCIAL...	280,000.00	8,500	ODF	62.22	Investment...	Refinance	Cash-Ow/...	Castroville	CA	02/08/2016	02/03/2016	Full	02/04/2016	02/12/2016	02/04/2016	
7003040	Gonzalez	Craig Sch...	StephanieP	JC	Regent Mortgage Corpor...	126,400.00	8,500	B	80.00	Primary R...	Purchase	Port Saint...	FL	02/03/2016	01/08/2016	Full	01/11/2016	01/19/2016	01/11/2016		
7003064	Jia	Raul Sand...	StephanieP	TL	The Home Loan Center	242,400.00	7,500	A	80.00	Primary R...	Purchase	Greeley	CO	02/02/2016	01/12/2016	Full	01/13/2016	01/21/2016	01/13/2016		
7003052	Ruesga	Jaye Craft	StephanieP	JC	Preferred Mortgage Group	275,000.00	6,375	A	43.66	Primary R...	Purchase	Livermore	CA	01/29/2016	01/11/2016	Full	01/12/2016	01/20/2016	01/12/2016		
7002944	Barone	Karen Pet...	StephanieP	RP	Fidelity Funding Mortgage	75,000.00	9,125	C	53.67	Primary R...	Purchase	Deltona	FL	01/28/2016	12/28/2015	Full	12/29/2015	01/06/2016	12/29/2015		
7002666	Alvarez	StephanieP	EL	Sumvest Mortgage Group	193,800.00	7,750	A	85.00	Primary R...	Purchase	Brynmbr B...	FL	12/30/2015	11/16/2015	Full	11/19/2015	11/27/2015	11/19/2015			
7002387	Allior	Raul Sand...	StephanieP	JR	C-And C Mortgage Servi...	491,300.00	8,249	A	85.00	Primary R...	Purchase	Boynton B...	FL	12/24/2015	10/26/2015	Full	10/29/2015	11/06/2015	10/29/2015		
7002705	Trilles	Karen Pet...	StephanieP	CL	Premier One Lenders, Inc.	1,500,000.00	6,825	A	13.64	Primary R...	Refinance	Cash-Ow/...	Miami Beach	FL	12/18/2015	12/16/2015	Full	12/18/2015	12/24/2015	12/18/2015	
7002571	Coley	Craig Sch...	StephanieP	CS	Goodall Mortgage, LLC	570,000.00	8,625	B	75.00	Primary R...	Refinance	No Cash...	Suwanee	GA	12/15/2015	11/12/2015	Full	11/17/2015	11/25/2015	11/17/2015	
7002573	Kwiatkowski	StephanieP	JC	RK Mortgage Group, Inc.	204,800.00	7,875	A	80.00	Primary R...	Purchase	Ormond B...	FL	12/03/2015	11/12/2015	Full	11/17/2015	11/25/2015	11/17/2015			
7002577	Doll	Jack Lehr	StephanieP	JC	Mortgage Center of Amer...	700,000.00	8,500	A	70.00	Primary R...	Refinance	Cash-Ow/...	Arlington	VA	11/18/2015	11/13/2015	Full	11/18/2015	11/26/2015	11/18/2015	
7002521	Garban	Karen Pet...	StephanieP	EL	Universal Mortgage & F...	136,875.00	8,500	A	75.00	Investment...	Purchase	Orlando	FL	11/12/2015	11/09/2015	Full	11/12/2015	11/20/2015	11/12/2015		
7002527	Tolles	StephanieP	CL	Premier One Lenders, Inc.	1,500,000.00	6,825	A	13.64	Primary R...	Refinance	Cash-Ow/...	Miami	FL	11/11/2015	11/09/2015	Full	11/11/2015	11/19/2015	11/11/2015		
7002473	Allegria	Amanda S...	StephanieP	JR	RS Mortgage Services	75,000.00	6,625	A	59.06	Primary R...	Refinance	Cash-Ow/...	Stone Mou...	GA	11/06/2015	11/04/2015	Full	11/06/2015	11/14/2015	11/06/2015	
7002462	Goldestan	Karen Pet...	StephanieP	TL	1st Florida Lending Corp	833,000.00	7,875	A	85.00	Primary R...	Purchase	Coconut G...	FL	11/03/2015	11/02/2015	Full	11/03/2015	11/11/2015	11/03/2015		
7001905	Lovell	Amanda S...	StephanieP	SM	Butord Finance of Cum...	107,250.00	9,000	B	65.00	Primary R...	Refinance	Cash-Ow/...	Ellijay	GA	11/02/2015	09/02/2015	Full	09/04/2015	09/12/2015	09/04/2015	
7002401	Lee	StephanieP	SM	Bankers Mortgage Lending	295,600.00	6,750	A	59.64	Investment...	Purchase	Miramar	FL	10/30/2015	10/27/2015	Full	10/30/2015	10/27/2015	10/30/2015			
7002398	Mora	Andrew G...	StephanieP	SM	The Mortgage Network	562,500.00	7,125	A	75.00	Primary R...	Refinance	Cash-Ow/...	Gait	CA	10/30/2015	10/27/2015	Full	10/30/2015	10/27/2015	10/30/2015	
7002414	Ghahamkar	StephanieP	JR	American Financial Netw...	693,750.00	7,375	A	75.00	Investment...	Purchase	Santa Clara	CA	10/30/2015	10/26/2015	Full	10/30/2015	10/26/2015	10/30/2015			

ation System

file is under

can be seen

highlight.

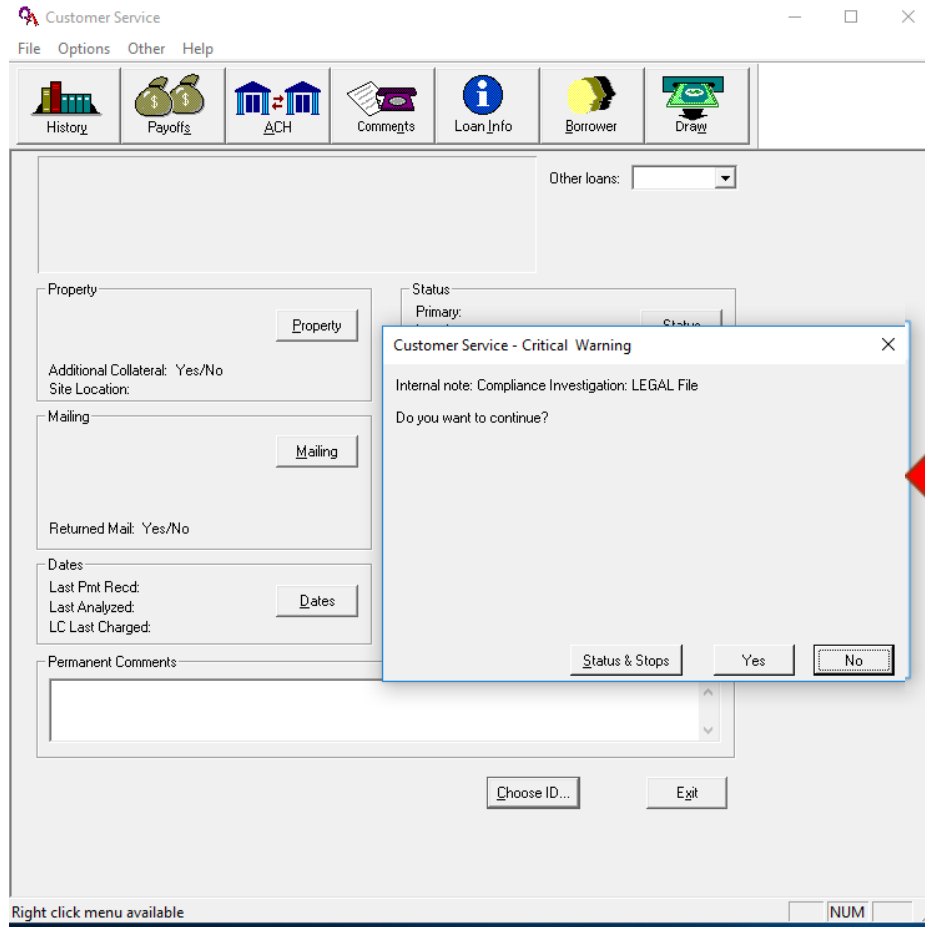
Our Loan Origination System indicates when a file is under investigation, which can be seen by the red highlight.

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Where prime lending ends, Citadel Servicing begins.

How do we know when a file is being investigated?



Our loan servicing system will notify the user when a file is under investigation.

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Documentation and Record Retention

CSC is required to keep records of the following:

- Identification documents provided by the customer.
- The resolution of any discrepancy in the identifying information attained.
- All correspondence 5 years from the date of filing a SAR.

CSC maintains and warehouses its data/records in:

- Loan Origination System
- Designated Share Drives
- Physical files
- Doc Velocity
- Servicing System



Maintaining Compliance

- CSC strives to be compliant in every aspect that the nature of our business requires.
- CSC has a **ZERO** tolerance policy with respect to fraudulent or illegal activities.
- To achieve this level of compliance, CSC has and will continue to provide you with the tools, training, and guides needed to detect, document and report any suspicious activities.

Maintaining Compliance cont.

Tools and Systems used for fraud detection:

- Always Follow Protocol
- BytePro
- FraudGUARD
- Tri-Merge Credit Reports
- Training Modules
- Reference Guides
- SAR Conduct Log/Report (maintained by compliance)
- Questionable Conduct Log/Report (maintained by compliance)

ALWAYS REMEMBER: When we get hit or otherwise negatively impacted, it's never because the agents were slick or effective, but because CSC failed to follow protocol! Always maintain protocol!

Maintaining Compliance cont.

- **Training & Guides:**

CSC Provides

- New Employee Training.
- Scheduled Refresher and Update Training.
- Training modules and policies and procedures accessibility for reference.
- Reference Guides.



- **Communication & Escalation:**

- There are 3 lines of communication you can utilize for questions and reporting of internal and external suspected compliance protocol violations.

- Your Manager.
- Compliance Officer.
- Legal Department.



Maintaining Compliance cont.

- Frequently Asked Questions:

What should I do if I see a Suspicious Activity/“Red Flag”?

Report it! Don't ignore Red Flags!

What if an employee is committing a suspicious activity?

If you suspect anyone at CSC has violated any standards noted in this training module or the policies and procedures, please bring it to the attention of your manager (if appropriate) or HR, who will bring it to the Compliance Officer.

How do I report a suspicious activity?

You need only report your thoughts in writing to your Supervisor who will then discuss this with the BSA/AML Officer who will take control of the matter at that point.

Complete a consolidated Complaint Form and Consolidated Conduct Form (ask your manager for these forms)

Cybercrime

Be aware of growing cybercrime in mortgage fraud, identification fraud, and document forgery!

- Hacking is a profitable crime
- “Someone can be in the entry-level part that looks to phish and get maybe \$10,000 of closing funds re-transferred and work up from there.”
– James Deitch, CMB, CEO of Terraverde Financial
- Mortgage firms have all the client data that hackers could want, such as social security numbers and financial details.
- Always be on the lookout for suspicious activity in the system. If you notice anything, escalate it to your manager and the compliance department immediately!



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Examples of Cybercrime

- An estimated 75 million phishing emails are sent every day and experts indicate about 90% of those are designed to take control of some aspect of the user's computer or email functions.
- Hackers have allegedly stolen at least \$10 million from at least 15 banks in Utah, New York, and California. These were mostly targeted through card payment systems as long ago as May 2016. Hackers opened accounts, removed withdrawal limits, and hit ATM machines to withdraw cash.
- In one instance, a wire-fraud scam cost a buyer \$54,000. Their gmail account was hacked, and the fraudsters sent a spoofed email from a selling agent telling the buyer that the title company required a wire and would not accept a cashier's check. They then sent fake wiring instructions using a spoof email and a fake phone number.
 - That buyer was savvy enough to know to call and ask the title company to verify the wiring instructions, however, they called the fake number instead of the actual title company. The phone was answered by one of the fraudsters, impersonating the title company, and confirmed the instructions. Local police, the FBI, and the CFPB are now investigating the \$54,000 loss, which was immediately transferred into another account after being wired.
 - This particular fraud occurred two days before closing.

Types of Cybercrime to Look Out For



- Malware and Suspicious Attachments – If you ever receive an email with attachments that cause you to question, trust your instincts! Contact the Compliance and Technology departments immediately for a check. If there's no threat, then nothing of value will be lost by checking, but if there is a threat, you may well help avoid identify theft or fraud by getting the proper personnel involved.
- Spoof emails – If you receive an email claiming to be from an individual, but don't recognize the name, email domain, or the spelling is off, there's a good chance it may be spoof. Double check all contact information when corresponding with outside entities, such as street address, phone number, and the email address itself.
- Hijacked email accounts – If you notice a lack of emails coming into your inbox, you may want to doublecheck with the technology department. This could be an indication that your email has been hijacked, and sensitive messages with private information are being routed to a third party with malicious or fraudulent intentions!

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Safe Guarding your Work Station

In addition to the policies and procedures that help fight against financially fraudulent activity, there are also practical ways to prevent them.

- Whenever you leave your work station or laptop unattended, **always lock your computer when you walk away from your desk!**
- Periods of Computer Inactivity: set up your screen saver to become active after 2 minutes of work station inactivity.
- Do not bring in USB sticks, plug your phone in to your PC, download anything unrelated to work, or give anyone access to your PC that isn't affiliated with CSC.
- Any documents should not be left out in the open on your desk.



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Testing for Compliance

- CSC will require you to participate in scheduled training and take a test on the materials covered.
- This training requires a test and confirmation of training.
 - Please complete the questionnaire and sign/date the acknowledgment section.

***If you have any question about this training, the material covered or have any concerns please see your manager or the Compliance Officer.*

Revision Date	Details	Compliance Approved
5/17/2017	Added compliance details	5/17/2017
5/19/2017	Added slide on cybercrime, revised slides on protocols, and outside suspicious activity	5/19/2017
5/27/2017	Matt's revisions implemented	5/26/2017
2/02/2018	Reviewed, minor revisions, examples updated	2/2/2018
2/27/18	NHO deck updated to include new servicing screen	
2/29/19	Deck updated to include Voluntary SAR filing info per Mark Gregory in Compliance	2/25/19

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