



Mortgage-fraud bill OK'd

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To clamp down on the bad mortgage deals that inflate Valley home prices, state lawmakers gave their final approval Monday to a bill that would make mortgage fraud a felony.

If Gov. Janet Napolitano signs the bill, Arizona would be one of the first states with a law specifically criminalizing residential mortgage fraud.

The legislation targets cash-back deals in which a buyer receives a loan for more than a house is worth and keeps the extra cash. The deals can hurt lenders financially and inflate other house values.

The bill's sponsor, Sen. Jay Tibshraeny, R-Chandler, said the measure would be one of the toughest white-collar crime laws to pass the Legislature in the past five years.

The proposed law would send a first-time offender to prison for up to three years. Those who make a pattern out of committing mortgage fraud could be sentenced to as much as 10 years. Prosecutors now rely on other fraud statutes to prosecute such cases, but Tibshraeny said the new legislation would make the prosecution easier.

The measure would create an "efficient path" from investigation to prosecution, partly by stating elements of the crime for law enforcement officials and jurors, said Felicia Rotellini, superintendent of the state Department of Financial Institutions, according to the Associated Press.

"When mortgage fraud is clear and the penalties are evident, the fraudsters will accept a plea bargain much more readily. This is because the facts themselves will prove the case."

House Bill 2040 passed the Senate 26-0 on Monday. The House gave the bill its final approval Thursday, 51-5.

Arizona ranks seventh in the country in the number of mortgage-fraud cases.

"Mortgage fraud is probably one of the most significant white-collar crimes," Tibshraeny said. "It's the kind of crime that can undermine a whole real estate economy."

To complement the mortgage-fraud bill, Tibshraeny said he plans to introduce a bill next year that would require mortgage loan officers to be licensed. Current law requires only mortgage brokers to be licensed.

A bill to license loan officers was introduced this legislative session but died.

The Associated Press contributed to this story.

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