



Fraud Prevention Best Practices

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Table of Contents

Chapter 1 – Preventing, Detecting and Resolving Fraud	FR1-1
Introduction	FR1-1
Seller/Service Requirements	FR1-1
Preventing Fraud	FR1-1
Employee Training	FR1-2
Participants in Mortgage and Real Estate Transactions.....	FR1-2
Prudent Underwriting.....	FR1-3
Quality Control	FR1-3
Loan Servicing Procedures	FR1-4
Detecting and Investigating Fraud	FR1-6
Common Fraud Elements	FR1-6
Common Fraud Schemes	FR1-9
List of Investigative Resources.....	FR1-17
Reporting	FR1-19
Resolution	FR1-20
Freddie Mac Exclusionary List	FR1-20
Chapter 2 – Mortgage Screening Checklist	FR2-1
Introduction	FR2-1
Mortgage Loan Application	FR2-1
Credit Report.....	FR2-2
Verification of Employment (VOE)	FR2-3
Paystubs	FR2-4
Form W-2/1099	FR2-4
Tax Returns (Form 1040).....	FR2-5
Schedule A (Itemized Deductions)	FR2-5
Schedule B (Interest and Dividend Income).....	FR2-5
Schedule C (Profit/Loss from Business Owned)	FR2-6
Schedule E (Rents and Royalties)	FR2-6
Verification of Deposit (VOD) and Bank Statements.....	FR2-7
Bank Checks.....	FR2-8
Sales Contract	FR2-8
Escrow/Closing Instructions	FR2-9
Appraisal.....	FR2-10
Preliminary Title Report/Title Search.....	FR2-11
HUD-1/Settlement Statement.....	FR2-11
Additional	FR2-12

Chapter 1 – Preventing, Detecting and Resolving Fraud

Introduction

Freddie Mac's Financial Fraud Investigation Unit (FFIU) was created in 1989 and is responsible for the prevention, detection and resolution of mortgage fraud. We are committed to helping you and others in the mortgage industry combat fraud. Working together, we can keep our housing-finance system stable and financially strong.

Our extensive research into the practices of successful mortgage lenders has strengthened our belief that reliable and effective fraud prevention and detection programs are essential to the mortgage industry. The best practices noted in this booklet are based on our experience and actual controls commonly being used in the industry. Keep in mind that the best practices noted here are provided to assist you in establishing a new, or improving your existing, fraud program. This publication does not provide an exhaustive list of fraud prevention and detection practices and procedures, and may not address all of the circumstances or meet all of the needs of your organization. We encourage you to customize your fraud prevention program to reflect your company's organization, business operations and needs.

Seller/Servicer Requirements

The information in this publication is not a substitute for Freddie Mac's Single-Family Seller/Servicer Guide requirements.

You must meet all of the requirements of the *Single-Family Seller/Servicer Guide* (Guide) relating to fraud prevention, detection and reporting of fraud. To ensure you are in compliance with all of our requirements, please refer to our Guide, in particular Chapter's 7 and 57 of the Guide titled "Fraud Prevention, Detection and Reporting."

Preventing Fraud

In many organizations, fraud prevention and detection efforts are closely tied within the quality control area. Although your fraud prevention and detection efforts should not be limited to your quality control area, your quality control program is an excellent place to begin your efforts.

To combat fraud, provide all appropriate employees, including servicing staff, in your organization with the following:

- Clear directives as to their responsibility when they suspect fraud, including a path of escalation when red flags have been identified
- An awareness of the major types of fraud and current fraud trends
- An understanding of underwriting *red flags* and their use. See Chapter 2, Mortgage Screening Checklist
- A list of resources to detect and investigate fraud

Efforts to prevent and detect fraud should be made in a number of areas including, but not limited to:

- Underwriting, processing and closing
- Quality control
- Performing and non-performing loan servicing

Employee Training

Employee training programs which are effective in the fight against fraud:

- Engage your internal fraud unit to provide training to the appropriate areas of your organization
- Provide employees with the information to help them recognize the *red flags* that may signal the need for more review. See Chapter 2, Mortgage Screening Checklist
- Help employees understand the most current and common fraud schemes
- Ensure that your work force is familiar with your company's standards for ethical conduct
- Ensure external auditors and/or regulators that sound procedures are in place regarding fraud

Participants in Mortgage and Real Estate Transactions

Participants in mortgage and real estate transactions can include, but are not limited to:

- Mortgage Brokers
- Loan officers
- Loan processors
- Underwriters
- Title insurers
- Correspondents
- Appraisers or other valuation providers

- Real estate brokers or agents
- Closing or settlement agents
- Builders and/or developers
- Third party service providers
- Inspectors
- Property sellers
- Property buyers
- Loan workout facilitators
- Transaction facilitators

Prudent Underwriting

Prudent underwriting—often the cornerstone of your efforts to fight fraud— includes:

- Knowing your brokers. See Chapter 5 of the *Wholesale Originations Best Practices* (http://www.FreddieMac.com/singlefamily/quality_control.html)
- Knowing your appraisers, builder clients, real estate agents and others with whom you conduct business
- Following comprehensive written procedures
- Screening all loans through Freddie Mac's Exclusionary List, which you can find on LoanProspector®.com.
- Staffing your organization in a way that ensures quality before quantity
- Encouraging your employees to adhere to the axiom, "If it doesn't make sense, don't make the loan."
- Sharing information amongst your staff and other departments
- Utilizing outside vendors on a rotating basis
- Performing due diligence

Quality Control

To ensure that your fraud prevention and detection efforts are working, you should group and analyze your quality control results accordingly to better identify and highlight potential trends:

- Branch office
- Loan officer
- Broker
- Underwriter

FRAUD PREVENTION BEST PRACTICES

- Processor
- Real estate agent
- Product
- Geographic area
- Closing/escrow agent
- Title company
- Appraiser
- Property seller

In addition, you should:

- Review loans from new or low volume counterparties with whom you have not previously done business at a higher frequency rate
- Consider pre-funding quality control for high-risk loans based on LTV, rate, and FICO
- Target all early payment defaults for re-verification and review
- Continually update your quality control policies and procedures
- Immediately report adverse findings to senior management if you suspect fraud
- Immediately report adverse findings to your designated Freddie Mac Quality Control Manager

Loan Servicing Procedures

Implementing the most diligent pre-funding reviews and post-funding quality control audits are no guarantee that fraud will be detected as most reviews are based on sampling techniques. A number of things can be done in the servicing area to help you fight fraud, such as:

- Recognize and investigate adverse default trends
- Note changes in who is making payments on loans
- Note changes in mailing addresses on owner-occupied loans
- Perform due diligence reviews before acquiring servicing
- Monitor pre-payment speeds on loans retained for servicing

Portfolio analysis should be performed to monitor for suspicious or abnormal activity that may uncover patterns of mortgage fraud:

- Review for first and early payment defaults

FRAUD PREVENTION BEST PRACTICES

- Review production of branches or loan officers whose loan default rate is above average
- Review monthly production to identify geographical concentrations
- Periodic review of high volume producers
- Review production for a branch or loan officer whose monthly production has dramatically increased within a short period of time

Review unusual patterns such as:

- No valid phone number - collector is unable to contact borrower
- Returned mail with no forwarding address
- Mortgage payments received from individual/entity who is not the borrower
- Third party authorizations received for unlicensed individuals
- Address change requested on owner occupied properties
- Social Security number change requests
- Insurance changed from occupant to investor
- Work number is disconnected
- Borrower's employer does not know borrower or borrower was terminated prior to the closing date
- Loan is coded owner occupied, but the borrower states reason for default is "tenant not paying rents"

Pursue "suspicious" collection or customer service calls that may indicate fraud is taking place:

- "Oh...this isn't my loan. I let someone use my name"
- "My broker/realtor/seller is supposed to be making the payments"
- "I'm not responsible for the payment. I only purchased the house for a friend/relative"
- "I deeded/sold this property to_____. Contact them for the payment"
- "This isn't my loan. I never owned property at that address"
- "I bought multiple investment properties from the same person and they are all vacant and in disrepair"
- "I paid someone a fee to help me out of foreclosure and they ran off with my money"

- “I paid a foreclosure rescue company to help me out of foreclosure and they stole my deed”

Training programs for your loan servicing employees can be a crucial line of defense against mortgage fraud. Areas to include are customer service, collection, loss mitigation, foreclosure, bankruptcy, escrow, and real estate owned (REO). Employees should know the process for escalating any suspicious incidents and mortgage fraud awareness should be incorporated into any new employee orientation programs.

Detecting and Investigating Fraud

To assist you in identifying fraudulent mortgages, Freddie Mac is providing the following descriptions of common fraud elements and several possible fraud schemes. This information is not intended to be all-inclusive. There are certainly more types of fraud than described in this section, and there will be new types of schemes that emerge. Keep in mind that many of these schemes contain several of the same elements, or may be referred to by a different name, so it can be difficult to distinguish between, or even keep track of the latest schemes.

Common Fraud Elements

Some common elements typically found in many fraud schemes include:

Inflated Appraisals

Inflated appraisals may contain fabricated or altered values and supporting information, or may contain the use of inappropriate comparables. The comparables used in the appraisal are often not valid comparables and may also contain false values and information.

See Chapter 2, Mortgage Screening Checklist, for a list of appraisal-related *red flags* that may occur when inflated appraisals are being used in the transaction.

Loan-level Misrepresentations

Misrepresentations may include fabricated or altered employment, income and asset documentation. There may be consumer or mortgage debts that are not disclosed on the application, if the borrower is applying for multiple loans at the same time. Sources of funds to close may be misrepresented, or provided to the borrower by the person “orchestrating” the fraud scheme. The borrower’s occupancy intent may also be false.

See Chapter 2, Mortgage Screening Checklist, for a list of qualifying documentation related red flags that may occur.

Rapid Transfers of Title

The owner of record should be consistent with the property seller on the contract, appraisal, and title documents on a purchase, and match the borrower on the loan application and title documents on a refinance. If the property seller/borrower is not the owner of record, the loan needs to be investigated to ensure the circumstances of the transaction are legitimate.

Unusual HUD-1 Payouts

Payouts may be made to unknown entities, often the ones profiting from the scheme. Payouts might also be made to cover phantom liens, repair allocations, referral fees, and non-lien disbursements.

See Chapter 2, Mortgage Screening Checklist, for a list of HUD-1 related red flags that may occur.

Identity Theft

Identity theft is frequently used to impersonate real estate agents, loan officers, appraisers, and others in the mortgage industry. However, borrowers are more frequently preyed upon, often with multiple mortgages taken out in their name without their knowledge. These forgeries often rely on participation of a notary.

Some of the following *red flags* may occur when borrower identity theft is perpetrated in the transaction:

- ✎ Borrower lives out of the area and the credit report does not indicate any ties to the area where the property is located
- ✎ Payments on the loan are not remitted from the borrower
- ✎ The borrower did not attend closing and a Power of Attorney was used
- ✎ Social Security number has not been issued or was issued prior to the applicant's date of birth
- ✎ The issue date of the Social Security number does not align with the number of years in the workforce
- ✎ The borrowers name is not associated with SSN

Straw Borrowers

A straw borrower is an individual whose personal profile is used to serve as a cover for a transaction. They are sometimes referred to as a nominee borrower or straw buyer. Straw borrowers are chosen for their ability to qualify for the loan. Straws can be willing participants in the transaction, or victims whose identity is being used unbeknownst to them (identity theft). Straw borrowers can cause loans to be approved that would ordinarily be declined.

For example, the actual borrower may NOT:

- Qualify for the mortgage

FRAUD PREVENTION BEST PRACTICES

- Intend to occupy the property as a primary residence
- Be eligible for a loan program
- Exist

Some of the following *red flags* may occur when a straw borrower is used in the transaction:

- 🔒 Multiple properties are purchased by the same borrower within a short period of time
- 🔒 A quit claim deed is used either right before, or soon after, loan closing
- 🔒 Investment property is represented as owner-occupied or a second home
- 🔒 Someone signed on the borrower's behalf using a Power of Attorney
- 🔒 Names were added to the purchase contract or it was assigned
- 🔒 Purchase contract addenda adjusts the price
- 🔒 Purchase contract or HUD-1 contains references to subordinate or secondary financing
- 🔒 Sale involves a relative or related party
- 🔒 No real estate sales agent is involved
- 🔒 There is an indication of default by the property seller
- 🔒 High FICO score
- 🔒 Significant amount of assets, but gift used as down payment
- 🔒 Sources of funds are questionable
- 🔒 Repository alerts on credit report
- 🔒 Mortgage payments are remitted by a party other than the borrower

Affinity Fraud

Affinity fraud exploits the trust and friendship that exist in groups of people who have something in common. The fraudsters who promote affinity scams frequently are—or pretend to be—members of the group, often preying on their own community of friends, family and co-workers. Affinity fraud has been found in many different types of groups such as religious, military, ethnic, professional, workplace, elderly and fitness/gym. Investment property schemes often take root from affinity groups.

With affinity fraud, there is an immediate level of trust within the group. Some members may have invested and made high returns, becoming advocates for the scheme. Loyalty to the group or embarrassment may deter members from reporting schemes or monetary losses to authorities.

Strategic Defaults

A strategic default is the decision by a borrower to stop making payments and default on a debt despite having the financial ability to make the payments. Strategic defaults are often triggered by a homeowner who owes more on their home than the property is worth.

Some of the following *red flags* may occur when a borrower strategically defaults on a loan:

- 🔒 Sudden borrower default, with no prior delinquency history, and the borrower cannot adequately explain the sudden default, often followed by a request for a loan workout
- 🔒 The borrower is current on all other obligations
- 🔒 The borrower's financial information indicates conflicting spending, saving, and credit patterns that do not fit a delinquency profile

Common Fraud Schemes

Again, there are certainly more types of fraud than described in this section, and there will be new schemes that emerge. Some common fraud schemes include:

Builder Bailout Scheme

Builder bailouts occur when the builder or developer is motivated to move property quickly when the market has slowed and sales have begun to lag. The builder and other industry professionals may engage in questionable practices in order to move the remaining inventory of properties.

With builder bailouts, there are typically several misrepresentations involved with loan the transaction and may include:

- False income and employment
- False down payment
- False intent to occupy the property
- Straw buyers
- Inflated appraisals - usually just enough to create equity for the borrower or to cover the down payment
- Seller-held financing with a short loan term or unusual language written into the note
- Invalid or undisclosed subordinate financing - such as seller-carried subordinate financing that is forgiven after closing

Condominium Conversion Bailout Scheme

Condominium conversion bailouts are similar to builder bailouts and can occur when the developer is motivated to move units quickly in a depressed real estate market. Condominium conversion bailouts are apartment conversions typically located in areas that have larger apartment complexes in declining rental communities. The appraisal will often falsely indicate a fully rehabilitated property.

With condominium conversion bailouts, there are typically several misrepresentations involved with the loan transaction and may include:

- False income and employment
- False down payment
- Multiple undisclosed debts
- False intent to occupy the property
- Straw buyers
- Inflated appraisals - usually just enough to create equity for the borrower or to cover the down payment

Many of the same red flags in the builder bailout also apply to the condominium conversion bailouts. Some of the *red flags* may occur:

- 🚩 The neighborhood where the property is located had lagging sales followed by a sudden spike in volume and price
- 🚩 Parties to the transaction are affiliated, or the transaction does not appear to be an arm's length transaction
- 🚩 Down payment funds provided by someone other than the borrower
- 🚩 The sales price and appraisal show signs of inflation
- 🚩 There is no real estate commission on the HUD-1
- 🚩 Large incentives and non-lien disbursements on the HUD-1
- 🚩 Excessive real estate, marketing, or consulting fees
- 🚩 The builder / developer is willing to "do anything" to sell property
- 🚩 The borrower is barely qualified or unqualified, or may be a straw buyer
- 🚩 Borrower is from out of state
- 🚩 Incentives such as buy-down funds appear excessive
- 🚩 No-money-down sales are heavily promoted
- 🚩 "Silent" second mortgages may be involved
- 🚩 The source of borrower down payment funds is questionable
- 🚩 There is a reference to secondary financing on HUD-1 or purchase contract

- 📌 Multiple sales to the same person within the same project or subdivision
- 📌 Appraiser uses only builder comparable sales from within the subject development
- 📌 Several loans close within a short period of time within a specific project or subdivision

Property Flips

Property flips occur when ownership of one property changes several times in a brief period of time. Property flipping becomes illegal when a home is purchased and resold within a short timeframe at an artificially inflated value. The flip typically involves a fraudulent appraisal, which may indicate that renovations were made to the home, when, in fact, there were none, or the renovations consisted only of minor cosmetic improvements. This enables the property sellers to obtain larger loans than what might otherwise be possible and drain the phantom equity of the property. Flips may also be used to conceal the identity of the true buyer or seller of the property.

Some of the following *red flags* may occur in property flips:

- 📌 Ownership changes two or more times in a brief period of time
- 📌 Two or more closings occur almost simultaneously
- 📌 The property has been owned for a short time by the seller
- 📌 The property seller is not on title
- 📌 There is a reference to a double escrow or secondary HUD-1
- 📌 Parties to the transaction are affiliated
- 📌 Up-and-down fluctuation of sales price over short period of time
- 📌 Multiple investment properties obtained by same buyer within short time frame
- 📌 “Purchases” disguised as “refinances” to circumvent a down payment
- 📌 Property seller is an LLC/entity/corporation
- 📌 Unusual cash payouts at closing on the seller side of the HUD-1 to non-lien holders
- 📌 Appraisal indicates recent sale/listing activity at a significantly lower price
- 📌 Comparable sales on appraisal are previously flipped properties

Foreclosure Rescue Scam

A foreclosure rescue scam is a type of fraud that takes advantage of homeowners who have fallen behind on their mortgage payments. There are several variations of the foreclosure rescue scam:

The advance fee consulting service - Perpetrators of this scam solicit homeowners through various “official” sounding programs and tell them their mortgages will be

renegotiated and their monthly payments will be reduced. The perpetrators typically require an up-front fee from homeowners to participate in a loan modification program and may also require a monthly fee to remain in the program. Other perpetrators falsely claim affiliations with lenders to convince distressed homeowners to pay large advance fees for modification services, but fail to take any action on the homeowners' behalf.

The lease/buy back - Perpetrators of this scam solicit homeowners and promise to save the home from foreclosure. The homeowner is asked to deed the property to the perpetrator, and sign a lease with with an option to buy it back later. The homeowner is promised they can continue to live in the house and pay rent, which will be applied toward an eventual buyback. Often, however, the rent is so high that the homeowners cannot afford the payments. Additionally, the buyback price is set far above fair market value, making it impossible for the homeowner to re-purchase the property.

Equity Stripping - The fraud perpetrator or “rescuer” approaches the homeowner with a promise to pay off the delinquent mortgage and help the homeowner stay in the property. At closing, the homeowner surrenders title (usually unaware they are doing so) to a straw buyer, who may have been recruited by the perpetrator. The proceeds are used to pay off the defaulted loan, but the remaining equity is paid out to the “rescuer”. The borrower rents the property from the new owner, but has surrendered title to his home, and lost his/her equity.

Forensic loan audits - Forensic loan audit companies audit a homeowner's mortgage loan searching for predatory lending violations for an upfront fee. Once the review is completed and predatory lending “violations” are found, the companies state they will work on the homeowner's behalf to eliminate mortgage debt and/or negotiate loss mitigation alternatives. The sudden influx of these forensic loan audit companies appear to be an effort to evade the upfront fees that states across the country have prohibited on “foreclosure rescue companies”.

Some of the following *red flags* may occur with a foreclosure rescue scam:

- 🔒 Servicer receives a third party authorization/agreement to release information form from an individual or entity
- 🔒 Servicer is verbally contacted by a third party on the borrowers behalf
- 🔒 Borrower refuses to speak to the servicer, but refers collection calls to a third party

Some of the following *red flags* may occur with a foreclosure rescue scam **and** may indicate the use of straw buyers:

- 🔒 Buyer purchases a home as an investment while he or she continues to rent
- 🔒 Buyer purchases multiple rental properties simultaneously
- 🔒 Buyer purchases the property as a primary residence when he or she already owns a home of superior value
- 🔒 Buyer is unable to contribute to funds to close

Short Sale / Short Payoff Fraud

A Short sale is an alternative to foreclosure that allows the borrower to sell his/her property for less than the total amount owed on the mortgage, with the lender, in certain cases, forgiving the remaining debt.

Protective measures which are effective in detecting and mitigating the severity of short sale fraud:

- Short sale requests that originate from a third party inherently contain more risk and the possibility of fraud increases. These transactions should be scrutinized more closely. Verify that the borrower provided the third party with written authorization to determine its validity
- Know the value of the collateral - look at all automated values and the brokers price opinions (BPO) available, not just the most recent full interior ordered for the short sale decision to determine a value range
- Use Websites such as Realtor.com, Trulia.com, or Zillow.com to re-verify listing information
- Employ the short sale affidavit as required in Chapter B65.40. The parties required to execute the affidavit are: the buyer, seller, listing agent, selling agent, short sale negotiator(s)/facilitator(s), and closing agent
- Be on the look out for hidden contracts, side agreements or contract addenda by looking at the fax headers and ensuring all pages are included
- Maintain a list of the real estate professionals involved in the short sale
 - Buyer/investor
 - Short sale facilitator
 - Listing agent
 - Selling agent
 - Closing agent
- Maintain a “do not use” list of the loss mitigation companies, short sale facilitators / investors, realtors, closing agents, etc that are or have been involved in deceptive behavior
- Check the names of all short sale participants against the Freddie Mac Exclusionary List
- A quality control review should be incorporated into short sale files, which include risk-based questions as well as public record property searches to check for any sales price variances or potential short sale flips that may have been undisclosed to the Servicer prior to the short sale closing
- Review all short payoff documentation carefully, including the sale contract. This helps determine if there is an option clause to resell the property at a higher price without overtly “notifying” the lender

Some of the following *red flags* may occur with a short sale fraud:

- 📄 Sudden borrower default, with no prior delinquency history, and the borrower cannot adequately explain the sudden default
- 📄 The borrower is current on all other obligations
- 📄 The borrower's financial information indicates conflicting spending, saving, and credit patterns that do not fit a delinquency profile
- 📄 Title to the property has been transferred to a trust
- 📄 The buyer of the property is an entity
- 📄 The purchase contract has an option clause (recorded or unrecorded) to resell the property that would indicate the buyer's intent to flip the property simultaneously with the short sale transaction

Brokers Price Opinion

When considering a short sale request, the collateral value becomes critical in the decision to approve or deny the short sale. Therefore, influencing a Broker Price Opinion (BPO) has become an increasingly common trend for short sale flippers / investors / facilitators. These "investors" understand that the lower the price the short sale lender will approve, the more profit in their pocket when the property is flipped. The investors have every motivation to ensure they manipulate the BPO to an artificially low price. Therefore, when ordering the BPO, don't allow the short sale facilitator or buyer/investor to be the contact for access to the property by the BPO broker.

When ordering or reviewing a BPO, it is important to keep some of the following *red flags* in mind:

- 📄 The BPO order form contains a point of contact for interior access who is not the listing agent or borrower and/or the phone number is not local to the subject property
- 📄 When comparing all BPOs received on the property, the value ranges appear to be lower than in more recent, drive-by or full interior BPOs
- 📄 The interior pictures in the BPO are in worse condition than the on-line listing pictures
- 📄 Alleged depreciation in an otherwise stable market
- 📄 Comparable sales and current listings are not similar to the subject property
- 📄 Excessive distance from comparable sales and current listings to the subject property, especially in a densely populated area
- 📄 Utilize real estate databases such as Trulia.com, Realtor.com, or Zillow.com to research the real estate listing with pictures in their "staged" condition versus the reverse staging that may await the BPO broker upon inspection

Investment Property Fraud

Investment property fraud often involves an elaborate scheme to profit the fraudster using legitimate investment buyers or straw buyers. Affinity groups may be targeted. These schemes commonly involve:

- Investment clubs or seminars to promote an investment opportunity
- No money down offers on multiple properties being sold to one buyer
- Excessive seller side HUD-1 payouts, which may indicate undisclosed buyer incentives or payment to recruiters who found buyers
- Cash back to borrower(s) at closing
- Out-of-state property purchases where borrowers don't physically have a chance to look at the property (or properties) prior to closing. (The property may be distressed without the buyer's knowledge.)
- Loan-level misrepresentations to qualify the borrowers
- Artificially inflated values
- Purchases that are disguised as refinances to circumvent a down payment
- Rushed closings to avoid exposure before the scheme unfolds

Purchases Disguised as Refinances

These schemes are often used to disguise the borrower's equity contribution in the transaction, inflate the property value, close the loan as a refinance and provide cash-out to the fraudster.

Some of the following *red flags* may occur when a purchase is disguised as a refinance:

- 🚩 Borrower is not in title on the title commitment
- 🚩 Land contracts executed shortly before or after application
- 🚩 Land contract is dated a significant period of time back, but has only recently been recorded
- 🚩 Borrowers unfamiliar with terms/conditions of land contract or unaware of the existence of a land contract
- 🚩 No payment history on land contract or no payments applied to the balance
- 🚩 Recent transfers of the subject property—was the property recently flipped?
- 🚩 Multiple investment properties purchased within a short time frame
- 🚩 Inflated appraised values
- 🚩 Borrower is not listed as the owner of record on the appraisal
- 🚩 Property is refinanced immediately after a purchase on the property

Cash-out Purchases

A cash-out purchase scheme normally involves one closing and occurs when properties have been on the market for an extended length of time and a desperate seller is unable to find a qualified buyer.

The seller may be offered a way out of the situation with an offer that exceeds the selling price of the property and an agreement to make a refund to the buyer after closing. The property appraisal is inflated and a straw buyer is used to purchase the property. The loan often goes into early payment default and ends in a foreclosure.

The following *red flags* may indicate a cash-out purchase:

- 🔒 The sales price is higher than the list price
- 🔒 The home may have been on the market for an extended period of time
- 🔒 The sales contract may have been modified or may include an addendum regarding the payment to the borrower or buyer
- 🔒 The appraisal may include red flags symptomatic of an inflated value
- 🔒 Many of the same red flags that accompany a traditional flip also apply to cash-out purchase fraud - straw buyer, false source of funds and false occupancy
- 🔒 The preliminary HUD-1 Settlement Statement may already indicate a portion of the net proceeds going back to the borrower or buyer

Rapid Refinance Scheme

A rapid refinance scheme involves a pattern of repeated refinances within a tight timeframe in order to generate yield spread premium (YSP), commission and/or payment avoidance.

The following *red flags* may indicate a rapid refinance scheme:

- 🔒 Large lender or broker credit to borrower on HUD-1 (May exceed actual closing costs for which borrower is liable.)
- 🔒 Disinterest in rate and/or fees associated with loan
- 🔒 No value issues
- 🔒 Credit report reflects multiple mortgages with similar loan amounts paid off within a brief period of time
- 🔒 Multiple credit inquiries by the same loan originator within a brief period of time
- 🔒 Significant loan origination fees or YSP paid to the loan originator as detailed on the HUD-1
- 🔒 Review of transaction will fail any genuine borrower benefit test

Multi-Lien Fraud

A multi-lien fraud occurs when multiple loans for the same home are obtained simultaneously for a total amount greatly in excess of the actual value of the property. The purpose for acquiring these multiple loans is to conceal other liens that are already held or are about to be filed against the subject property. These schemes leave lenders exposed to large losses because the subsequent mortgages are junior to the first mortgage to be recorded and the property value is insufficient for the subsequent lenders to collect against the property in foreclosure.

The following are characteristics of a multi-lien fraud:

- The borrower has extensive knowledge of how the mortgage industry works or knows someone that does
- Large national retail lenders are targeted via their loan origination call centers or through their internet banking conduit
- There are usually no appraisal issues with the subject properties and this fraud is difficult to detect
- Different appraisers and closing agents used
- Involves a single borrower who has recently purchased the subject property in cash within the last 3-6 months
- Disinterest in rate and/or fees associated with loan

List of Investigative Resources

You should provide your staff with the resources available to investigate suspected misrepresentation and/or fraud in the mortgage file. These sources may include:

Freddie Mac Resources

- Freddie Mac Fraud Hotline: **1-800 4 FRAUD 8**
- **Freddie Mac Fraud Mailbox:** mortgage_fraud_reporting@freddiemac.com
- Quality Control and Fraud Prevention Resource Website
www.FreddieMac.com/singlefamily/quality_control.html
- Freddie Mac Fraud Prevention Toolkit
www.freddiemac.com/singlefamily/preventfraud/toolkit.html
- Freddie Mac Fraud Prevention: www.FreddieMac.com/singlefamily/preventfraud/
- Freddie Mac Exclusionary List (Seller/Service providers only)

Investigative Resources

- Internet - search and access records/information. Freddie Mac does not endorse any particular vendor or website, but a list of websites that may be helpful include:
 - www accurint.com (Accurint records database)
 - www.lexisnexis.com (LexisNexis records database)
 - www.mari-inc.com (Mortgage Asset Research Institute)
 - www.searchsystems.net (public information)
 - www.searchbug.net (people and company finder)
 - www.salary.com (salary benchmarks)
 - www.zillow.com (real estate database)
 - www.trulia.com (real estate database)
 - www.realtor.com (real estate database)
 - <http://www.whois.net/> (internet domain registry)

Government and Industry Resources

- www.fbi.gov/hq/mortgage_fraud.htm (Federal Bureau of Investigation)
- www.fincen.gov/news_room/rp/mortgagefraud_suspectedMortgageFraud.html (Financial Crimes Enforcement Network)
- www.fhfaig.gov/ (Federal Housing Finance Agency - Office of the Inspector General)
- www.ftc.gov/bcp/edu/microsites/idtheft/ (Federal Trade Commission's Identify Theft site)
- www.loanscamalert.org/ (loan modification scam alert)
- www.preventloanscams.org/ (A Project of the Lawyers Committee for Civil Rights Under Law)
- www.stopfraud.gov (Financial Fraud Enforcement Task Force)
- www.asc.gov/ (Appraisal Subcommittee)
- www.nmlsconsumeraccess.org/ (Nationwide Mortgage Licensing System)
- www.mortgagefraudblog.com (recent fraud cases)
- www.mbaa.org/IndustryResources/ResourceCenters/MortgageFraudResourceCenter.htm (Mortgage Bankers Association Mortgage Fraud Prevention and Resource Center)
- www.mortgagefraud.squarespace.com (fraud cases)
- www.fraud.org (National Consumer League's Fraud Center)

Reporting

To report fraud or possible fraud to Freddie Mac, please check Guide Sections 7.3 and 57.3 to ensure that you are complying with our most recent reporting requirements. Generally, however, when a Seller/Servicer reasonably believes that fraud or possible fraud has occurred or is occurring in connection with a mortgage sold to, or serviced for, Freddie Mac at any time, the Seller/Servicer must report certain required information to Freddie Mac within 30 days by submitting the *Mortgage Fraud Reporting Form - Origination* or the *Mortgage Fraud Reporting Form - Servicing*, as appropriate, located at <http://FreddieMac.com/singlefamily/preventfraud/>, or by submitting the information required in the form.

The form, or required information, can be submitted via fax, e-mail or regular mail:

- Fax: (571) 382-4883
- Email: mortgage_fraud_reporting@freddiemac.com
- Regular Mail: Mortgage Fraud Reporting, Freddie Mac,
8200 Jones Branch Drive, Mail Stop 263, McLean, VA
22102

In addition, as detailed in Guide Sections 7.3 and 57.3, Freddie Mac must be notified of the following circumstances immediately:

- Theft of custodial funds
- Lack of collateral
- Non-remittance of pay-off funds
- Multiple deliveries of the same mortgage
- A substantial likelihood that the fraud or possible fraud will receive significant public exposure or publicity
- Notification of a civil judgment or criminal conviction indicating lack of integrity and relating to a participant in a mortgage or related real estate transaction, or relating to a board member, officer, employee or contractor of the Seller/Servicer
- Notification by law enforcement or another governmental authority that such authority is conducting an investigation or prosecution of fraud relating to mortgages owned by, or serviced for, Freddie Mac
- A scheme or pattern of (i) more than 25 mortgages sold to, or serviced for, Freddie Mac, or (ii) mortgages sold to, or serviced for Freddie Mac with an aggregate unpaid principal balance of at least \$2.5 million

To notify Freddie Mac immediately, call the Freddie Mac fraud hotline at 800-4FRAUD8 (800-437-2838). Following notification via the fraud hotline, a Fraud Reporting Form, as discussed above, and detailed in Guide Sections 7.3 and 57.3, is also required.

You must meet all of the requirements of the Guide relating to reporting of fraud. To ensure you are in compliance with all of our requirements, please refer to our Guide, in particular Chapters 7 and 57 of the Guide titled “Fraud Prevention, Detection and Reporting.”

Seller/Servicers are also reminded of their continuing obligation to comply with all applicable federal, State and local laws, including those relating to fraud.

Resolution

Some industry best practices include:

- Requiring the broker to repurchase the loan
 - Beginning foreclosure proceedings or acceleration of the Note in accordance with the mortgage documents
 - Terminating business or employment relationships
 - Initiating civil actions
 - Referring the matter to state or local regulators
 - Referring the matter to local, state or federal authorities for criminal action
 - If your institution is federally insured, file a Suspicious Activity Report
 - Conducting a comprehensive review of responsible parties including a determination of overall exposure levels
 - Filing an incident report with the Mortgage Asset Research Institute (MARI)
-

Freddie Mac Exclusionary List

The Exclusionary List is updated monthly by Freddie Mac and is available to Seller/Servicers through various single-family systems, including the selling system, Loan Prospector® and the Learning Center, and in the Originate and Underwrite and Asset Management sections of FreddieMac.com/Multifamily. The Seller/Servicer must ensure that it uses only the most current version of the Exclusionary List, and must obtain an authorized ID and password to access the Exclusionary List. The Seller/Servicer may obtain additional information on how to access the Exclusionary List by calling 800-FREDDIE.

Chapter 2 – Mortgage Screening Checklist

Introduction

There are a number of details that underwriters, processors and quality control employees should look for in the loan file documents. To assist you in identifying mortgages that may contain false or misleading information, we have put together this *Mortgage Screening Checklist*. Finding one or more of the items does not necessarily mean there is fraudulent intent. However, these *red flags* may signal the need for a more intensive file review. Additional checklists and red flags may be found in the [Quality Control Best Practices](#), Exhibit QC2.

Mortgage Loan Application

- 📄 Down payment other than cash (rent credit, sale of personal property, repayment of loan, gift, etc.)
- 📄 Loan is for a owner-occupied refinance, but the owner lives elsewhere (usually out of state)
- 📄 Non-purchasing spouse
- 📄 Borrower buying investment property, but does not own current residence
- 📄 New home is not large enough for proposed occupants
- 📄 Post office box is the only address listed for employer (especially on the handwritten application)
- 📄 The employer's phone number is a cell phone
- 📄 Significant or unrealistic commute distance from subject property to employment (on owner-occupied transactions)
- 📄 Number of years on the job/in that profession inconsistent with borrower's age
- 📄 Borrower's level of education is inconsistent with employment
- 📄 Borrower's office phone number is the same as home number (borrower is possibly self-employed)
- 📄 Assets inconsistent compared to liabilities (for example, significant assets, yet no credit or minimal credit)
- 📄 Buyer is downsizing to smaller or less expensive home
- 📄 Incomplete handwritten application
- 📄 Borrower's income inconsistent with type of employment

- 📄 Non-transient job with company phone number identified as a cell phone
 - 📄 Incomplete Schedule of Real Estate Owned
 - 📄 Significant or contradictory changes in debt, employment, income or assets from the initial to the final application
 - 📄 Borrower is purchasing property from landlord or employer
 - 📄 Handwritten application lists debts in the same order as credit report
 - 📄 Borrower's signature is inconsistent with rest of the loan file
 - 📄 Employment is inconsistent when compared to the credit report, bank statements (for direct payroll deposits), and tax returns
 - 📄 Borrower is purchasing a second home in close proximity to the primary residence, or in a non-resort area
-

Credit Report

- 📄 All credit reports and/or supplements are not included in the file
- 📄 Personal data not consistent with handwritten application
- 📄 Social security number is invalid, differs from loan application, or was issued prior to applicant's date of birth
- 📄 Variance in residence data from other file documentation
- 📄 Employment cannot be verified by a credit bureau
- 📄 Employment does not match the application or income documentation in the file
- 📄 Indicated employment is in a different profession or line of work
- 📄 No credit (possible use of alias or different Social Security number or use of a child's Social Security number)
- 📄 Credit habits inconsistent with income/employment
- 📄 All trade lines opened at the same time or opened recently
- 📄 All accounts paid in full recently (possibly a new, undisclosed consolidation loan)
- 📄 Refinance of recently originated loan (current lender may have accelerated for misrepresentation or applicant may be engaged in a rapid refinance scheme)
- 📄 Length of time on credit bureau file inconsistent with buyer's age
- 📄 Also Known As (AKA) or Doing Business As (DBA) indicated
- 📄 Recent inquiries from other mortgage lenders

- 📄 Indebtedness disclosed on the mortgage application varies from that reflected on the credit report
 - 📄 Infile credit report on closing date shows additional debt
 - 📄 Credit report is from a different lender
 - 📄 Hawk alerts
-

Verification of Employment (VOE)

- 📄 Appearance that the VOE may have been hand-carried (i.e., folded, not creased. If folded in half, it may indicate it wasn't mailed, but hand-carried. If creased, it may indicate the VOE was mailed)
- 📄 Name of employer incorporates some form of borrower's name (for example, borrower is John Doe and employer is J.D. Enterprises)
- 📄 Employer uses mail drop or post office box address
- 📄 Typed by employer
- 📄 Date of hire is a weekend or holiday
- 📄 Generic job titles (for example, manager, general manager, accountant, consultant)
- 📄 Income is out of line with the type of employment
- 📄 Commission-type position with "base" salary only (and vice versa)
- 📄 Round dollar amounts in (i.e., year-to-date or prior year's earnings)
- 📄 "Squeezed-in" numbers
- 📄 YTD past year's income says, "See W-2s and Paystubs"
- 📄 VOE shows company car and application shows auto loan
- 📄 Illegible signature with no further identification
- 📄 Co-borrower's maiden name is the same as the signature of employer (self-employed)
- 📄 Person verifying employment appears to be related to the borrower
- 📄 VOE completed same day as ordered
- 📄 White-outs or cross-outs
- 📄 Credit explanation indicates that borrower was late due to illness/layoff, but income on VOE is not lower during that time period
- 📄 Business entity is not in good standing or not registered with the appropriate regulatory agencies

- 📄 Fax header does not list the company name
 - 📄 Company phone number is identified as a cell phone number
 - 📄 “Personnel” is misspelled
 - 📄 Person verifying income is not in a proper position to sign the VOE
-

Paystubs

- 📄 Form is handwritten
 - 📄 Not computer-generated from large employer
 - 📄 Check numbers do not increase chronologically
 - 📄 Round dollar amounts
 - 📄 Amounts withheld for Social Security, Medicare and other government programs are inconsistent with the level required
 - 📄 Net pay is inconsistent deposits on bank statements
 - 📄 Debts reflected as payroll deductions (credit union loans, etc.) not disclosed on application
 - 📄 Year-to-date totals are inconsistent from pay period to pay period
 - 📄 Social Security number is not consistent with other loan file documents
 - 📄 Type/fonts are inconsistent
 - 📄 Number of dependents is inaccurate based on loan application
-

Form W-2/1099

- 📄 Form is handwritten
- 📄 Not computer-generated from large employer
- 📄 W-2 is typed, but paystubs are computer-generated
- 📄 Different type/font within the form
- 📄 Employer identification number is formatted other than XX-XXXXXXX (two digits, hyphen, seven digits) and/or other than numeric (could be invalid)
- 📄 Employer and employee names or addresses are inaccurate
- 📄 Wrong Social Security Number or misspelled name
- 📄 Round dollar amounts

- 📄 Income reflected on W-2 statements is different than income reported on mortgage application, VOE and tax returns
 - 📄 Social Security wage base exceeds the annual maximum
 - 📄 Handwritten paystubs or W-2 forms
 - 📄 FICA and Medicare wages/taxes and local taxes, where applicable, exceed ceilings/set percentages
 - 📄 Withholdings are inconsistent with paystub
-

Tax Returns (Form 1040)

- 📄 Address and/or profession does not agree with other information submitted on the mortgage application
 - 📄 If tax return was handwritten, handwriting style varies within return
 - 📄 Evidence of “white-out” or other alterations
 - 📄 Unemployment compensation reported, but no gap in employment is disclosed
 - 📄 No estimated tax payments by self-employed borrower (Schedule SE required); or self-employment tax claimed, but self-employment not disclosed
 - 📄 Tax returns are not signed/dated by borrower (would not apply to electronically filed returns)
 - 📄 Paid preparer signs taxpayer’s copy
-

Schedule A (Itemized Deductions)

- 📄 Real estate taxes and/or mortgage interest is paid but no property is owned (or vice versa)
 - 📄 Tax preparation fee is deducted, yet prior year’s return is prepared by borrower
 - 📄 Few or no deductions for a high-income borrower
-

Schedule B (Interest and Dividend Income)

- 📄 Borrower with substantial cash in the bank shows little or no related interest income
- 📄 No dividends are earned on stocks owned

- Amount or source of income does not agree with the information submitted on the mortgage application
-

Schedule C (Profit/Loss from Business Owned)

- Business code is inconsistent with type of business
 - Gross income does not agree with total income on Form 1099s
 - No “cost of goods sold” on retail or similar type of business
 - Borrower takes a depreciation deduction for real estate not disclosed (or vice versa)
 - Borrower shows interest expense but no related loan (possibly business loans with personal liability)
 - No deductions for taxes and licenses
 - Wages are paid, but no tax expense is claimed
 - Wages are paid, but there is no employer identification number
 - Salaries paid are inconsistent with the type of business
 - Business expenses are inconsistent with type of business (for example, truck driver with no car and truck expense)
 - No IRA or Keogh deduction
 - Income significantly higher than from previous years
-

Schedule E (Rents and Royalties)

- Additional properties are listed, but not shown, on the mortgage application
 - Mortgage interest is deducted but no mortgage is disclosed
 - Net income from rents plus depreciation does not equal the cash flow submitted by borrower
 - Borrower shows partnership income (may be liable as a general partner for partnership’s debts)
-

Verification of Deposit (VOD) and Bank Statements

- 📄 Source of funds consists of (unverified) note, equity exchange, sale of residence
- 📄 Evidence that VOD may have been hand-carried (i.e., folded, not creased)
- 📄 Post office box for depository (if not typical for area or company)
- 📄 Cash in the bank is not sufficient to close
- 📄 Round dollar amounts (especially on interest-bearing accounts)
- 📄 New bank account (verify previous account)
- 📄 Significant changes in balance from previous two months to date of verification
- 📄 Savings account with average two-month balance exactly equal to present balance (no interest accumulation)
- 📄 Excessive balance in checking account vs. savings account
- 📄 “Squeezed-in” numbers
- 📄 Bank account not in borrower’s name or there is indication the account is jointly held
- 📄 Bank account or bank statements reflect additional, non-borrowing account holders
- 📄 Illegible signature with no further identification
- 📄 VOD is completed the same day it is ordered
- 📄 VOD signed by bank officer, or someone who ordinarily would not verify an account
- 📄 Date of verification by the bank is a weekend or holiday
- 📄 “White-outs,” cross-outs
- 📄 Gift letter that is not supported by written transfer of funds
- 📄 Bank statements reflect an account holder name in a different font
- 📄 Bank statements reflect periodic deposits at odds with reported income
- 📄 Bank statements include insufficient-funds fees
- 📄 Bank statements reflect periodic withdrawals at odds with debts
- 📄 Bank statements reflect daily balances inconsistent with opening/closing balances
- 📄 Bank statements do not reflect withdrawal of earnest-money deposit
- 📄 Bank statements reflect automatic payroll deposits that are not consistent with the employment listed on the loan application
- 📄 Down payment funds are made in multiple transactions
- 📄 Closing check drawn on a different bank

- 🔒 ATM activity and/or debit card purchases are conducted outside the applicant's geographic area
 - 🔒 Bank statement does not reconcile
 - 🔒 Bank logo on statement is suspicious
-

Bank Checks

- 🔒 Remitter on cashiers check (for down payment funds) is not the borrower
 - 🔒 Numbers, payee or other information appear to be altered
 - 🔒 Bank and/or account number is inconsistent with the information on application
 - 🔒 Low check number (indicates newly opened account)
 - 🔒 Check is not canceled
 - 🔒 Dollar amount is not encoded correctly on check
 - 🔒 Check number does not agree with encoded number
 - 🔒 Endorsement dates are inconsistent with the date the check was written
 - 🔒 Check numbers from single account do not increase chronologically
 - 🔒 Checks reflect additional signers for the account
 - 🔒 Cashiers check for funds to close mentions an entity or non-interested party as remitter (possible property flip)
-

Sales Contract

- 🔒 Borrower is not shown as purchaser
- 🔒 Seller is a LLC and the subject is not new construction
- 🔒 The borrower/buyer signature does not match other documents in the file
- 🔒 The contract is not dated
- 🔒 Names are deleted from, or added to, the purchase contract
- 🔒 The contract was assigned
- 🔒 Seller is a realtor, relative or employer
- 🔒 Earnest-money deposit consists of the entire down payment, or is an odd amount
- 🔒 Sales price is substantially above or below market value
- 🔒 Second mortgage is indicated

- 📄 No realtor involved
 - 📄 Name and address on earnest-money deposit check is different from that of the buyer
 - 📄 Earnest-money deposit checks have inconsistent dates, for example:
 - Check #111 dated November 1
 - Check #113 dated September 1
 - Check #114 dated October 1
 - 📄 Multiple contracts exist
 - 📄 Earnest-money check is not cashed or is not reflected on the HUD-1 Settlement Statement
 - 📄 Sales contract date is after the appraisal date
-

Escrow/Closing Instructions

- 📄 “Fill in the blank” escrow instructions
- 📄 Change of sales prices to “fit” the appraisal
- 📄 Odd amounts paid as a deposit/down payment
- 📄 Down payment is paid into escrow upon opening
- 📄 Cash is paid outside of escrow to property seller
- 📄 Sale is subject to property seller acquiring title
- 📄 Business entity acting as the property seller is controlled by or related to borrower
- 📄 Buyer is required to use a specific broker/lender
- 📄 Reference to another (double) escrow
- 📄 Unusual credits with no economic substance
- 📄 Demands paid off to undisclosed third parties (potential obligations)
- 📄 Subject property is not subject to inspection
- 📄 Right of assignment
- 📄 Related parties involved in the transaction
- 📄 Power of attorney used with no explanation
- 📄 Power of attorney is not properly documented/recorded
- 📄 No amendments to escrow
- 📄 Unusual amendments to the original transaction

- 📄 Seller on HUD-1 different than seller on preliminary title report
-

Appraisal

- 📄 Ordered by any party to the transaction other than lender (buyer, property seller, realtor)
- 📄 Owner of record does not agree with other information disclosed in the loan file
- 📄 Blank spaces on the form (borrower, client, occupant, etc.)
- 📄 Appreciation in stable or declining market
- 📄 Most recent sale(s) and/or listing information on subject and/or comps are missing
- 📄 Appraisal is ordered and/or prepared prior to date of sales contract or loan application
- 📄 New home is not large enough for proposed occupants
- 📄 High land value in urban areas (consider the area)
- 📄 Comps not verified as recorded (data source MLS, sales office, HUD-1, SREA, CMDC, real estate agent, etc.)
- 📄 Comps not similar to the subject property
- 📄 Appraiser uses public record, exterior inspections, or property seller as sole data sources
- 📄 Excessive distance between comps and subject property
- 📄 Excessive adjustments in urban or suburban area where marketing time is under six months
- 📄 Income approach is not used on tenant-occupied, single-family dwellings
- 📄 Missing photos or maps
- 📄 Photos do not match description of property
- 📄 Photos do not match the floor plan sketch (i.e. location of garage, fireplace, etc.)
- 📄 Photos of subject property taken from odd angles or with no depth of field
- 📄 Photos reveal items not disclosed in appraisal (for example, commercial property next door, railroad tracks, another structure on premises, etc.)
- 📄 “For rent, for sale” sign in photo of subject property on owner-occupant refinance application
- 📄 Refinance transaction, but the property is vacant
- 📄 Photos of subject or comps look familiar

- 📄 Appraiser is located outside of subject property county
 - 📄 Weather conditions in photo of property are not appropriate for the date of the appraisal (i.e., July photo shows snow on the ground for a property in Illinois)
 - 📄 Occupant is identified as a tenant on an owner-occupied application
 - 📄 Occupants are unknown
 - 📄 House number in photo does not match property address
 - 📄 Time frame between sales not enough for reported renovations made to property
 - 📄 Loan file contains a note with a predetermined value
 - 📄 Full value is applied to excess land
-

Preliminary Title Report/Title Search

- 📄 Ordered by, prepared for/mailed to a party other than the lender
 - 📄 Property seller not on the title (purchase disguised as a refinance or property flip)
 - 📄 Property seller owned property for a short time with cash out on the sale
 - 📄 Notice of default is recorded (possible cash-out purchase with a straw buyer or foreclosure rescue scam)
 - 📄 Delinquent property taxes
 - 📄 Judgment against borrower is not shown on credit report
 - 📄 Modification agreement on existing loan(s)
 - 📄 Suspicious title transfer
-

HUD-1/Settlement Statement

- 📄 Names and addresses of property seller and buyer vary from other loan documentation
- 📄 The property seller is a corporation or an LLC
- 📄 Seller's address is the same as the mortgage broker
- 📄 No real estate agent involved in transaction
- 📄 Excessive real estate agent commissions
- 📄 Real estate commissions paid on a different sales price than the sales price listed on page one of the HUD

FRAUD PREVENTION BEST PRACTICES

- 📄 Date of settlement is delayed without explanation
 - 📄 Sales price differs from sales contract
 - 📄 Reference is made to undisclosed secondary financing or double escrow
 - 📄 Rent prorated on owner-occupied transactions
 - 📄 Cash proceeds to buyer in excess of \$300
 - 📄 Zero amount due to/from buyer
 - 📄 No loan pay off for the seller
 - 📄 HUD-1 or escrow instructions contain unusual credits, disbursements, related parties, delinquent loans paid off, or multiple mortgages paid off
 - 📄 Payoffs for items not consistent with liens listed on title commitment
 - 📄 Excessive seller paid marketing, administrative, assignment, trust fees
-

Additional

- 📄 Type, spacing, and/or font varies within document from a single source
 - 📄 Inconsistent borrowers' names, phone numbers, addresses, Social Security numbers, or handwriting throughout file
 - 📄 More than one mortgage lender is reflected throughout the file
 - 📄 Parties to the transaction have more than one role (for example, realtor is landlord, employer is gift donor)
 - 📄 Borrower appears to be related to any other party reflected in the file except the gift donor (for example, verifier of funds or employment, appraiser, escrow officer, etc.)
 - 📄 Borrowers' signatures differ throughout the loan package
 - 📄 Unusually long or unusually short loan processing time (brokered loans)
 - 📄 Patterns or similarities in loan packages received from a specific broker, loan originator, realtor or property seller
 - 📄 Borrower or any other individual/company is on Freddie Mac's Exclusionary List
-