

Radian's Detecting and Avoiding Fraud Red Flag Job Aid

This Job Aid should be used as a guide for possible misrepresentation. Not all items listed below are Fraud, however they must always be addressed.

URLA/1003 Loan Application

- New housing not large enough to accommodate all occupants
- Compare date of verification forms to date of 1003
- Compare assets (amount and type) to overall credit/capacity of borrower
- P.O. Box for home and/or employer
- Borrower's income is inconsistent with type of employment
- Phone number is the same for home and employment
- High income borrower has little or no personal property/assets
- New housing exceeds 150% of current housing expense
- Applicant's age/length of employment do not make sense
- Education is not consistent with employment type
- Significant or contradictory changes from initial to final 1003
- Invalid SSN

Verification of Employment

- Person completing VOE should not be related to borrower
- VOE signed by someone other than HR
- Numbers appear to be inserted or "squeezed in"
- Current and previous employment "overlap"
- Hire date is a weekend or holiday
- VOE completed same day as sent by lending institution
- Form completed on a holiday or Sunday
- Letterhead does not show business address or phone number of employer
- YTD totals do not add up correctly

Income

- Pay-stubs and W-2's are not computer generated
- Social Security earnings maximum exceeded on paycheck or W-2's
- Social Security/Medicare taxes are not correct
- Basic math errors
- State Tax not deducted where applicable
- 401K deduction not reflected on pay-stub – but showing as an asset on the loan application
- Paycheck was issued on a holiday or Sunday
- Dates on paychecks do not increase chronologically
- YTD totals do not add up correctly
- Pay-check: Income or deductions are in round dollar amounts
- Pay stub reflects deductions for debts or union dues not disclosed on 1003
- Employer 9-Digit ID number is formatted other than: 12-3456789
- Different font appears within form
- Margins and data are not aligned
- Income is not consistent with that shown on 1003, VOE or tax returns
- Borrower's age compared to number of years worked. i.e. 10 yrs. employment on 1003, Borrower age = 20, Working since age 10?
- Verification signed by someone other than HR
- Numbers appear to be inserted or "squeezed in"

Credit Report

- Residence information different from 1003
- Credit history is not available or length of credit is not consistent with borrower's age
- Recent inquiries from other mortgage companies
- SSN does not agree with 1003 and other documents in file
- Accounts recently paid in full/no evidence of source of funds for the payoffs
- Balances show debts that were not disclosed on 1003
- Employment information is different from the application

Verification of Deposit

- Form completed on a holiday or Sunday
- Current balance has a significant change from the average balance and is not explained
- Two month average balance is exactly equal to current balance
- VOD completed same day as sent by lending institution
- VOD completed prior to the date requested by the lender
- Unable to read signature or no signature
- VOD shows additional owners on bank account

Purchase Contract/Sales Agreement

- Sales contract is not signed by all parties
- Contract does not indicate earnest money deposit amount
- Odd dollar amounts for earnest money deposit
- Amendments/counteroffers are not included
- If new construction – all options/upgrades must be itemized and included
- Significant increase in commute distance from employment to new property (especially if keeping present residence)
- Subject property is presented as an investment property however borrower currently renting
- Downgrading to a smaller home – buyers are not “empty nesters”
- Seller is a relative of the buyer, realtor or employer – possible non-arms-length transaction
- Purchase price substantially below appraised value
- Name or address on earnest money receipt not borrowers
- Borrower not showing as Purchaser
- Purchase Contract transferred or assigned from one person to another as purchaser

Appraisal

- Borrower’s name does not appear as purchaser or owner (refinance)
- Lender’s name is not the lending institution
- “For Sale” sign in photo of subject property (refi)
- Excessive or “One Way” adjustments to comparables.
- For Rent/Vacation Rental Signs appear in the photo of the subject property on an owner-occupied transaction
- Photos do not match property description
- Comparables are not from subject neighborhood
- Proximity map – reflects major highways between subject and comparables
- Large adjustments to comps to make them “similar” to subject
- Property or comparables have been sold multiple times in past few years
- Occupant is reflected as tenant on an owner-occupied refinance
- Property has been sold within the past 12 months

Assets

- Assets do not support income stated on 1003
- Interest/Dividend income on 1040’s is inconsistent with assets disclosed on 1003
- Statements show large unexplained transactions
- Statements do not show monthly amount for rent/mortgage payments shown on 1003
- Deposits do not support amount of income claimed by applicants
- Direct deposits from an unknown source
- Assets are held jointly – only 1 borrower on 1003
- Account not listed on Loan Application
- Dates are inconsistent with activity showing on the statement
- Statement date is weekend or holiday
- Business assets are submitted and borrower is not listed as Self-Employed
- Assets appear disproportionate for the income listed
- Significant variation between bank statement’s current balance and average balance
- Beginning and ending balances do not coincide in consecutive monthly statements
- Math errors in the bank statements
- Bank statements list overdrawn or insufficient funds charges

Closing Disclosure

- Disbursements to third parties not reflected in loan documents or title report
- Purchase price does not match sales agreement
- Excessive cash or credits issued to buyer
- Seller and buyer’s names vary from other loan documents
- Even dollar amounts for the payoff of liens
- Down payment deposit is for an amount other than disclosed on sales agreement
- The amount due from the buyer is \$0
- Incorrect/outdated form used