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A woman with glasses and a man in business attire are sitting together, looking at a document. The woman is on the left, wearing a dark blazer over a white shirt and glasses. The man is on the right, wearing a dark suit jacket over a white shirt. They are both looking down at a document held by the woman. The background is a blurred office environment.

Detecting & Avoiding Fraud in Loan Files

01

INTRODUCTION

Define what mortgage fraud is.

02

REVIEW

Review key elements of mortgage fraud.

03

STRATEGIES

Review strategies to detect red flags.

04

SCENARIOS

Highlight scenarios and examples.

Introduction



01

What is Mortgage Fraud?

Deliberate and willful deception perpetrated for unlawful gain.



A photograph of a business meeting around a table. A person in a white shirt is on the left, and a person in a dark suit is on the right, gesturing with their hands. A laptop, a calculator, and a pen are on the table. A green rectangular overlay is placed over the center of the image, containing the text 'Key Elements'.

Key Elements

02



Key Elements of Mortgage Fraud

- Believable
- Material Misrepresentation
- Intentional
- Causes Damage
- Must Be Acted Upon



Strategies

03

Education

Resources

Tools



Fraud Prevention



Discuss your findings with your manager



Investigation is an art, not a science



Use your company audit and security resources



Utilize online resources

What Are Red Flags?



Inconsistencies



Irregularities



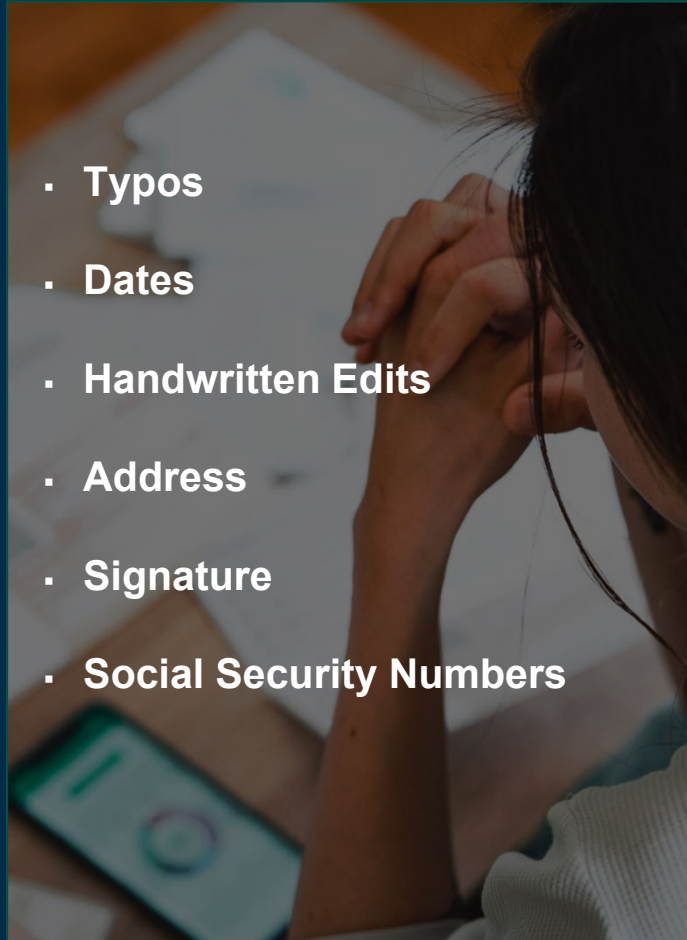
Indicators



Increase mortgage fraud potential



Increase severity of fraud



- Typos
- Dates
- Handwritten Edits
- Address
- Signature
- Social Security Numbers

Red Flags Throughout Loan File

Section 1: Borrower Information. This section asks about your personal information and your income from employment and other sources, such as retirement, that you want considered to qualify for this loan.

1a. Personal Information

Name (First, Middle, Last, Suffix)

George Louis Costanza

Social Security Number 987 - 65 - 4321

(or Individual Taxpayer Identification Number)

Alternate Names – List any names by which you are known or any names under which credit was previously received (First, Middle, Last, Suffix)

Date of Birth (mm/dd/yyyy)

02 / 28 / 2000

Citizenship

- U.S. Citizen
- Permanent Resident Alien
- Non-Permanent Resident Alien

Marital Status

- Married
- Separated
- Unmarried

(Single, Divorced, Widowed, Civil Union, Domestic Partnership, Registered Reciprocal Beneficiary Relationship)

Dependents (not listed by another Borrower)

Number 1

Ages 6

Contact Information

Home Phone (212) 555 - 7880

Cell Phone (212) 555 - 7930

Work Phone () - Ext.

Email georgesemail@email.com

1b. Current Employment/Self-Employment and Income

Does not apply

Employer or Business Name Vandelay Industries

Phone (212) 555 - 0013

Street PO Box 3

Unit #

City Brooklyn

State NY

ZIP 10002

Country USA

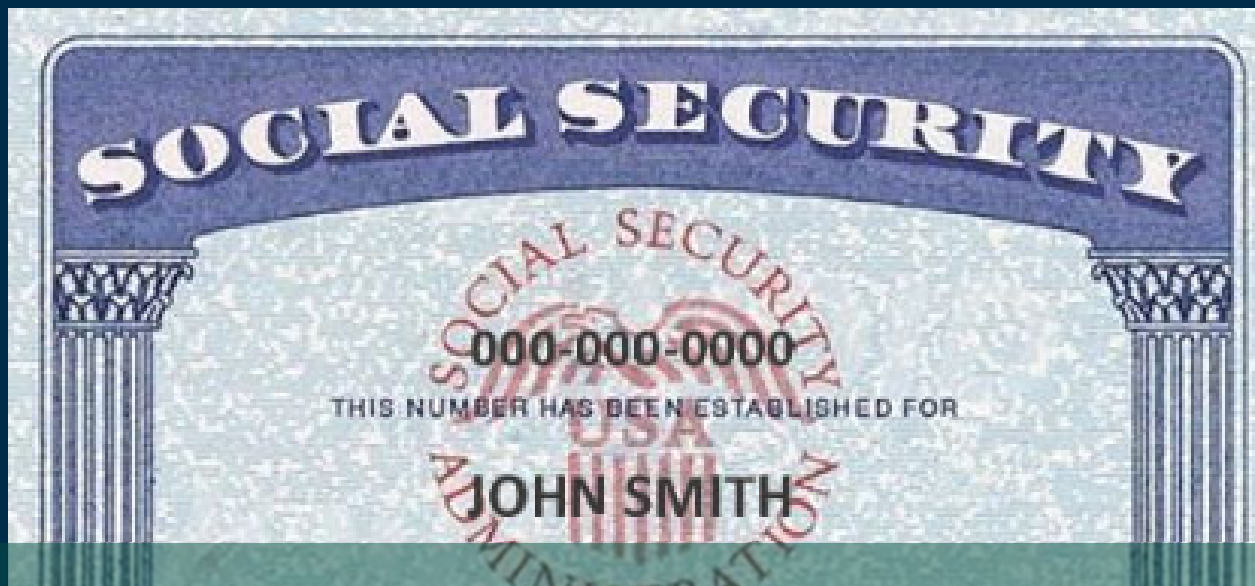
Position or Title Importer-Exporter

Start Date 03 / 1 / 2010 (mm/dd/yyyy)

How long in this line of work? 24 Years 7 Months

Check if this statement applies:

- I am employed by a family member, property seller, real estate agent, or other party to the transaction.



AREA-

- Never "000"
- Never "666"
- Never > "772"
 - Prior to (6/11)
- No 800 series
 - (Prior to 6/11)
- No 900 series

-GROUP-

- Never "00"

-SERIAL

- Never "0000"

Social Security Numbers

Credit Document Red Flags

- Conflicting dates on verifications of mortgage or rent, and alternative credit documents (e.g. auto insurance, cell phone bill)
- Inconsistent length of credit and borrower's age (e.g. borrower is 25 but has 20 years of credit history)
- Social Security Number variations or mismatch on credit report, and conflicting numbers on various documents (e.g. credit report vs income documents)
- Excessive credit inquiries may indicate shopping for credit or a desire to open new credit which can negatively impact credit and credit score.
- Conflicting names, residence, and employment information on credit report and other documents.

Income & Employment Red Flags

- Income or tax withheld show rounded numbers
- SSN inconsistencies
- Numbers appear squeezed
- Employer 9-digit ID Number not in format: 12-3456789
- Basic math errors
- Same tax preparer from previous loans
- Paycheck garnishments as undisclosed debt (student loans, child support)
- Employer not verifiable through online search
- Missing state or city-specific deductions
- Typos or inconsistent information throughout documents
- Social Security and/or Medicare deductions exceed limits/percentages
- Large pay increase close to application date

JEO

Asset Document Red Flags

- Consecutive bank statement balances do not match or are inconsistent
- Balances or figures are all even or rounded
- Assets appear disproportionate for the income listed
- Direct deposits are not consistent with income
- Bank statements list overdrawn check charges
- Significant variance between current balance and average balance
- VOD or bank statement list another person on the bank account
- Typos or incorrect asset calculations
- Personal information does not match other documents within loan file (ie: address, spelling of name, etc.)

Appraisal Document Red Flags

- Lender's name not the lending institution
- Photos do not match property description
- Borrower's name not owner for refinance transaction
- "For Sale" sign in refinance property photo
- Subject property not new construction however the seller is a corporation
- Value adjustments are inconsistent or excessive
- "Owner of Public Record" field does not match documents in loan file
- Comparables are not consistent and insufficient explanations provided by appraiser
- Appraisal dated before sales contract for purchase transaction

Closing Document Red Flags

- Sales price inconsistencies on documents
- Closing Disclosure (CD) contains unusual pay-outs and disbursements to third parties unrelated to the subject transaction
- Excessive fees, points and/or commissions
- The amount due from the buyer is zero
- Down payment deposit is for an amount other than disclosed
- Last-minute changes to contracts or payment amounts
- Unrelated parties added to closing documentation

THANK YOU!

Any questions?

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Your Radian Account Manager
Radian.com/account-manager-finder



radian
national training