



# Borrower Income Concerns on Southern California TPO Loans



Fannie Mae's Mortgage Fraud Investigations unit alerts the industry to potential and active mortgage fraud scenarios.

This alert addresses loans originated by third-party originators (TPOs) primarily in Southern California.

We have observed misrepresented incomes in a compilation of loans that were originated by TPOs based in Southern California over the past several months.

Specific hallmarks of the loans in question include:

- Borrowers are employed in service industries such as nail salons, small retail businesses, transportation/delivery businesses, and repair service businesses;
- Borrowers have generic titles such as “manager”;
- Large, often multiple, gifts are used toward the purchase;
- Gift fund letters are noticeably altered (e.g., identical letters with only the amounts altered using correction fluid);
- The borrower's income, while verified by the employer, does not appear reasonable given the industry, years of experience, and/or role;
- Employer business revenue, per public-record sources, does not appear to support the purported borrower income;
- Employment and income verifications are provided from private email accounts, such as Gmail or Hotmail, and telephone numbers for verifications are often personal phone numbers.

## What can lenders do?

Refer to the [Best practices for income and employment verifications](#) (published on 9/16/20) for further guidance on lender due diligence and common red flags.

## If suspicion of fraud exists

- Follow established policies and procedures within your organization and the Fannie Mae *Selling Guide*.
- Follow the “Report Mortgage Fraud” instructions on the [Mortgage Fraud Prevention webpage](#).

## More general steps lenders can take to detect and prevent fraud

- Know your TPOs.
- Be “fraud smart” by educating your staff.
- Establish a zero-tolerance fraud policy.
- Share information within your organization.
- If the loan doesn't make sense, don't do it!
- Report any suspicious activity through established channels.

*Watch for further “Fraud Alerts” and potential updates to this fraud alert by monitoring the [Mortgage Fraud Prevention webpage](#).*