Misrepresentation of Income Using Fabricated/ Altered Public Records Documenting Alleged Court-Ordered Child and Spousal Support Payments (Northern California)

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

This alert addresses loans originated in Northern California.

We have observed misrepresented child support income in numerous loans that were originated in Northern California over the past several months.

Hallmarks of the scheme include:

- Commonality of real estate agents involved in selling the subject properties
- Bank statements and canceled checks are created to support falsified child support income
- Borrowers have no other source of income
- Child and spousal support documentation provided in the loan files do not match public records regarding those same persons; altered court documentation with case numbers that begin with "HF" (State of California court case numbers do not begin with "HF")

Without the misrepresented income, the borrowers would not qualify for the loan.

What can lenders do?

Take special caution on any loans containing spousal or child support as the primary income for the borrower. Refer to public record data to determine the authenticity of supporting documents contained in the loan file.

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 web page](#).

More general steps lenders can take to detect and prevent fraud

- Know your third-party originators/brokers.
- 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 web page](#).