



Misrepresentation of Borrower Employment Scheme (July 2018)

Fannie Mae's Mortgage Fraud Program (MFP) alerts the industry to potential and active mortgage fraud scenarios. This Alert addresses a scheme containing borrower profiles and Red Flags common to our previous Fraud Alert. The primary difference is a geographic expansion of the fraudulent activity to *Northern* California. Contained in this alert you will find:

- 10 new purported employers
- Northern California venues
- A commonality to those loans addressed in the Fraud Alert released May 24, 2018 (updated June 28, 2018)

Loan common denominators / characteristics

Fannie Mae's Mortgage Fraud Program has identified several entities listed on loan applications as places of employment that appear to be fictitious.

The following list of employers contains 10 entities / businesses that were listed as the borrower's purported place(s) of employment but whose existence Fannie Mae could not confirm.

This list is as of July 31, 2018, and is subject to change:

Collins Software Engineering	Redwood Highway	San Rafael	CA
Modern RF Circuits	Oakland Road	San Jose	CA
Periodic Network Systems	Scotts Valley Drive	Scotts Valley	CA
Solo Welding and A/C Repair Co.	W. Larch Road	Tracy	CA
Wyntron Micro Systems	G Street, Suite E	Merced	CA
Metroniks Wire Technologies	W. Olive Street, Suite 1	Madera	CA
Salam Imports Bay Area	Old Glory Street	Gilroy	CA
Lucero Pro Systems	Hellyer Avenue	San Jose	CA
Argo Physical Med Devices	Leveroni Court	Novato	CA
Advanced Pacific Cardiology Systems	Lincoln Avenue	Calistoga	CA

Red flags

- TPO / broker loans
- Originated 2015–2018 (present)
- Employment (occupation) does not “sensibly” coincide with borrower’s profile (age or experience)
- **Northern** California (geographic common denominator)
- Borrower on current job for short period of time
- Prior borrower employment shows “Student”
- Starting salary appears high
- Purported employer does not exist





- Employer's purported location cannot be ascertained
- Paystub templates are similar for various employers across other (involved) loan files
- Paystubs sometimes lack typical withholdings (health, medical, 401(k), etc.)
- Gift letters are substantial and are not (or cannot be) supported through re-verification

What can lenders do?

Prudent origination, processing, and underwriting practices should include looking for red flags in the loan documents that raise questions about the transaction. Verify that the borrower's place of employment actually exists and obtain supporting documentation. If one of these entities is disclosed as the borrower's place of employment, exercise due diligence in reviewing the entire loan file. Lenders must exercise caution in these situations and take appropriate steps to prevent the institution from being the victim of fraud.

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.
- 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 ring by monitoring the [Mortgage Fraud Prevention web page](#).

See Red Flag exhibits on next page.



Misrepresentation of Borrower Employment Scheme: Exhibits

The following exhibits provide examples of red flags that may indicate fraudulent documentation.

Exhibit A: Non-sequential Employment Timeline

Note on the below employment documentation:

- Employer and place of employment **do not exist** (section IV).
- Prior employment is listed as **student** (section IV).
- Employment timeline **does not make sense** (section IV).
- Income does not align with time on job (section V).

Borrower		IV. EMPLOYMENT INFORMATION		Co-Borrower	
Name & Address of Employer [REDACTED] CENTRAL AVE GLENDALE, CA 91203	<input type="checkbox"/> Self Employed	Yrs. on this job 10 yr(s) Yrs. employed in this line of work/profession 10	Name & Address of Employer [REDACTED] LA VENTA RD SUITE WESTLAKE VILLAGE, CA 91361	<input type="checkbox"/> Self Employed	Yrs. on this job 0 yr(s) 3 mth(s) Yrs. employed in this line of work/profession 3
Position/Title/Type of Business MEDICAL ASSISTANT/MANAGER	Business Phone (incl. area code) [REDACTED]-0008	Position/Title/Type of Business SONOGRAPHER	Business Phone (incl. area code) [REDACTED]-2910	If employed in current position for less than two years or if currently employed in more than one position, complete the following:	
Name & Address of Employer [REDACTED]	<input type="checkbox"/> Self Employed	Dates (from-to) [REDACTED]	Name & Address of Employer [REDACTED] LANKERSHIM BLVD N Hollywood, CA 91601	<input type="checkbox"/> Self Employed	Dates (from-to) 02/01/2015 - 09/25/2017
Position/Title/Type of Business	Business Phone (incl. area code)	Monthly Income \$	Position/Title/Type of Business STUDENT	Business Phone (incl. area code)	Monthly Income \$


V. MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION						
Gross Monthly Income	Borrower	Co-Borrower	Total	Combined Monthly Housing Expense	Present	Proposed
Base Empl. Income*	\$ 1,672.00	\$ 8,978.00	\$ 10,650.00	Rent	\$ 2,115.57	
Overtime				First Mortgage (P&I)		\$ 3,248.85
Bonuses				Other Financing (P&I)		
Commissions				Hazard Insurance		80.00
Dividends/Interest				Real Estate Taxes		739.58
Net Rental Income	23.00		23.00	Mortgage Insurance		315.95
Other (before completing, see the notice in "describe other income," below)				Homeowner Assn. Dues		
				Other:		
Total	\$ 1,695.00	\$ 8,978.00	\$ 10,673.00	Total	\$ 2,115.57	\$ 4,384.38






Exhibit B: Generic Paystubs

Note on the below employment documentation:

- Paystubs are generic.
- Paystubs are inconsistent with those from other loan files for the **same employer**.

 • Westlake Village, CA 91361

NAME	ASSOCIATE NUMBER	SOC. SEC. NO.	PERIOD	DEPT	CHECK NUMBER			
ANNA 	140112	XXX XX 	19	0001A	00525339			
					PERIOD BEGIN			
					08/26/15			
					PERIOD ENDING			
					09/08/15			
TOTAL HOURS	GROSS PAY	TOTAL TAXES	DEDUCTIONS	NET PAY				
SALARY	3600.00	802.63	117.00	2,680.37				
EARNING TYPE	HOURS	RATE	CURRENT	YEAR TO DATE	M/S DEP	TAXES & DEDUCTIONS	CURRENT PERIOD	YEAR TO DATE
SALARY			3600.00	61200.00	M 2	FED INC TX	390.72	6642.24
					0	FICA-OASDI	215.95	3671.15
					0	FICA-MED	50.50	858.50
					M 2	CA STATE	113.06	1922.02
					0	CA DISABIL	32.40	550.80
						HEALTH INS	66.60	1132.20
	DENTAL INS	34.20	581.40					
	VISION	16.20	275.40					

 Medical Withholdings


Westlake Village, CA 91361

CHECK NUMBER	CHECK DATE
00525339	09/16/16
NET PAY	
2680.37	



CHECK NUMBER
00551068
PERIOD BEGIN
10/16/17

Westlake Village, CA 91361

NAME		ASSOCIATE NUMBER	SOC SEC NO	PERIOD	DEPT	PERIOD ENDING		
ARTHUR [REDACTED]		178447	XXX XX [REDACTED]	20	0001A	10/31/17		
TOTAL HOURS		GROSS PAY	TOTAL TAXES		DEDUCTIONS	NET PAY		
SALARY		4489.29	1110.41		0.00	3378.88		
EARNING TYPE	HOURS	RATE	CURRENT	YEAR TO DATE	MS DEP	TAXES & DEDUCTIONS	CURRENT PERIOD	YEAR TO DATE
SALARY			4489.29	26935.74	N 3	FED INC TX	550.55	3303.30
					0	FICA-OASDI	278.34	1670.04
					0	FICA-MED	65.09	390.54
					N 3	CA STATE	176.03	1056.18
					0	CA DISABIL	40.60	242.40
REIMBURSEMENTS								
TRAVEL ALLOWANCES			0.00	0.00				

Same Employer,
No Medical
Withholdings

CHECK NUMBER	CHECK DATE	NET PAY
00551068	11/01/17	3378.88
CHECK AMOUNT		3378.88

1220 La Venta Rd., Suite 216
Westlake Village, CA 91361



Exhibit C: Gift Letters

Note on the below employment documentation:

- Substantial gift letters for down payment

GIFT LETTER

Applicant(s): [REDACTED]

Loan Number: LUSINE [REDACTED]

I, [REDACTED], do hereby certify the following:
(Donor)

(1) I have made a gift of \$ 30,000 to ARTUR [REDACTED]
(Amount) (Recipient)
Whose relationship is: BROTHER
(Relationship)

GIFT LETTER

Applicant(s): [REDACTED]

Loan Number: LUSINE [REDACTED]

I, [REDACTED], do hereby certify the following:
(Donor)

(1) I have made a gift of \$ 36,000 to LUSINE [REDACTED]
(Amount) (Recipient)
Whose relationship is: COUSIN
(Relationship)

GIFT LETTER

Applicant(s): [REDACTED]

Loan Number: LUSINE [REDACTED]

I, TIGRAN [REDACTED], do hereby certify the following:
(Donor)

(1) I have made a gift of \$ 22,000 to LUSINE [REDACTED]
(Amount) (Recipient)
Whose relationship is: COUSIN
(Relationship)

(2) This gift is to be applied toward the purchase of the property located at:

[REDACTED] RESEDA, CA 91335
(Property Address)