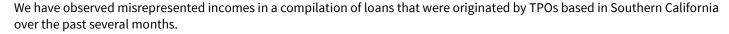


## **Borrower Income Concerns on Southern California TPO Loans**

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.



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 <u>Best practices for income and employment verifications</u> (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.