Fannie Mae

Income and Valuation Misrepresentation Activity in New York

Fraud alert

Our Mortgage Fraud Investigations team works proactively to track emerging fraud patterns and alert the industry to potential and ongoing mortgage fraud activity.

This alert concerns loans originated in Orange County, New York and surrounding areas. Our investigation has identified income and valuation misrepresentations on mortgage loans primarily involving loans originated to purchase condominium units.

Review the red flags below to help mitigate risks associated with fraudulent activity.

Red flags:

- Appraisals utilize non-MLS comparable sales for which the reported sale information is not adequately supported or verified by reliable data sources.
- Closing disclosures reflect payoffs of existing liens, but county deed records do not show corresponding lien releases or new mortgages.
- Reliance on large gifts from multiple parties to fund most or all of a borrower's down payment. Gifts are from both family and non-family members.
- Borrowers report parsonage income but do not list their employment as clergy.
- Borrower signatures vary significantly across loan documents.
- Materially low property tax estimates that allow borrowers to meet acceptable debt-to-income ratios.
- Borrowers may report recent significant increases in income.

What can lenders do?

- Utilize publicly available information to corroborate appraisal, income, and property tax information.
- Contact employers listed on the loan application to confirm a borrower's employment and income.
- Confirm details of a gift directly with the gift donor.

If suspicion of fraud exists:

- Follow established policies and procedures within your organization and the Fannie Mae *Selling Guide.*
- Complete and submit the Suspected Mortgage Fraud Report 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 does not make sense, don’t do it!
- Report any suspicious activity through established channels.

Stay proactive in protecting your organization, subscribe to notifications to receive “Fraud Alerts,” and visit the Mortgage Fraud Prevention web page now to ensure you’re always informed.