***NOTICE****: The following has been provided by WBA committee and section volunteers for use by member banks.   
It should be reviewed and revised as appropriate to the user-bank’s own policies, procedures, and practices.*

**Best Practices in Avoiding/Detecting Mortgage Fraud**

Mortgage fraud comes in a variety of different forms. One of the most crucial best practices is to have robust operational controls regarding fraud protection and detection. While this list is not all inclusive, it provides an outline of elements to consider and evaluate in relation to your institution's policies and procedures.

1. **Customer Identification Program**

* LDP (excluded party)
* Verify system to determine extent to which ID data matches existing record
* Driver’s license/ID/other documents
  + Expiration
  + Date of birth
  + State of issuance
  + Country of issuance
  + Photo match
  + Signature match
  + SSN/TIN verification
  + Sequence/numbering
  + Deceased person

1. **Credit Bureau Reporting**

* Red flags
  + Fraud or active duty alert
  + Notice of credit freeze
  + Notice of address discrepancy
  + Pattern of inconsistent credit history
    - Increase in volume of inquiries
    - Unusual number of recently established relationships
    - A material change in the use of credit
    - An account that was closed or identified for abuse of account privileges
  + OFAC check
  + Credit score/reasons

1. **Income Verification**

* Tax transcripts match tax returns
* Verbal verification of employment/written verification of employment
  + Number of hours
  + Leave of absence
  + Year-to-date makes sense
  + Verbal employment verification/continuation
  + Verbal salary verification
  + DFI self-employment verification
* CPA letters
* Full disclosure
  + Second jobs
  + Employment Certification form
* Child support and maintenance (if disclosed)
* Undisclosed liabilities

1. **Asset Verification**

* Source of funds
  + Cash
  + Gifts
* Reserves
* Concessions
* Borrower provided documentation/level of merit
  + Rent
  + Down payment
  + Other(s)
* 401(k) withdrawals
* Existing loans

1. **Title Insurance**

* Child support liens
* Judgments
* Tax liens
* Life estate deeds
* Other mortgages
* Boundary disputes
* Ownership

1. **Appraisal**

* Non-arm’s length
* Check limited denial of participation
* Flipping
  + Chain of deeds
* Ask the question: “Does this value make sense?”
* Appraisal review must meet USPAP guidelines
* Construction lending
  + Approved plan/bid/foundation surveys
  + No work started until lien in place
  + Controlled disbursements/are bills being paid?
  + Inspections
  + Sweat equity/how to handle?
  + CCAP/DFI check on builder
* Occupancy
  + Primary residence loan turns into investment property loan
  + Second homes
  + Insurance billing/ownership

1. **Multi-layer Verification**

* Determine which documents receive additional vetting
* Determine who signs-off on such documents