



Fraud Prevention Best Practices for Mortgage Brokers and Loan Officers

As a mortgage broker or loan officer, protecting your business from fraud can be a daunting task. With evolving technology and so many different fraudulent schemes, defrauding lending institutions has become all too common in today's market. One of the best ways you can safeguard yourself against fraud is through educating yourself on fraud prevention best practices.

Below are best practices to help you detect and effectively prevent mortgage fraud. One particular best practice that can be valuable to all mortgage professionals, regardless of the role they play in your organization, is to have robust operational controls and comprehensive policies and procedures regarding fraud prevention and detection.

Best Practices for Brokers and Loan Officers

- Carefully review all required licensing and regulatory requirements in your state.
- Have adequate controls and procedures in place to prevent and detect fraud.
- Only utilize appraisers who have fully met state licensing and continuing education requirements, and have demonstrated their competence by maintaining high-quality appraisal standards.
- Do not accept complete loan packages from third-party sources. Independently verify the authenticity of loan documentation and data supplied through completed appraisals, credit reports, and loan applications.
- Do not accept qualifying, supporting financial or other documentation that cannot be verified as coming directly from the borrower.
- Except for a power-of-attorney used in a hardship emergency situation, do not allow someone else to be the intermediary between you and the borrower. Take steps to verify the occupancy status, employment, and equity contribution of your borrower.
- Remember that you are accountable for the contents of a loan file, including:
 - The sources of and authenticity of all qualifying documentation.
 - Representations made on the loan application, such as occupancy, employment income, assets, equity contribution, etc.
 - Transaction representation. For example, if the loan is presented as a refinance, does the borrower currently own the property?

Important Freddie Mac Resources

- Call our Fraud Hotline at **(800) 4 FRAUD 8** to report incidents of fraud.
- Visit our Quality Control Resources and Fraud Prevention Web site at www.FreddieMac.com/dgtq/.
- Read fraud-related articles: www.FreddieMac.com/singlefamily/preventfraud/trends.html.