



Fraud Prevention Best Practices for Closing Agents

As a closing agent, 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 Closing Agents

- Ensure that title records are thoroughly researched to verify and validate the owner(s) of record. For example, a red flag should occur if the transaction is presented as a refinance, but property records reflect that the borrower currently is not in title of the property.
- Ensure that the source of a borrower's funds to close are fully disclosed and transparent. Ensure that evidence supports that all funds required from the borrower originated from the borrower or another authorized source confirmed by the borrower and not another party. This includes gift funds and grants the borrowers may qualify for.
- Carefully scrutinize multiple closings for the same property with significant increases in value.
- At closing, make sure that the borrower is fully aware of the details of the transaction such as the purchase price, secondary financing, funds to close, etc.
- Verify through the collection of supporting documentation that recipients of payoff funds provided at closing are entitled to those proceeds.
- "Mail away" closings should be handled by an authorized title agent from the appropriate jurisdiction.

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.