



## Fraud Prevention Best Practices for Lenders

As a lender, 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 Lenders

- Report suspicions of fraudulent activity and all instances of fraud to Freddie Mac at **(800) 4 FRAUD 8**.
- Know whom you are doing business with by performing due diligence background checks on third-party originators, loan officers, net branch managers, and appraisers.
- Implement a robust pre/post funding quality control program.
- Provide closing agents and title companies with clear direction and greater responsibility to look for fraud. Don't issue cookie-cutter closing instructions.
- Audit appraisers and their work product, and incorporate the proper control procedures for accepting appraisal reports.
- Implement employee training programs to raise overall awareness of mortgage fraud so that employees understand the most common fraud schemes and their red flags.
- Measure broker or retail origination performance by sorting data on loan performance, prepayment rates, quality control findings, product mix, etc. to determine patterns and trends.

#### 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/](http://www.FreddieMac.com/dgtq/).
- Read fraud-related articles: [www.FreddieMac.com/singlefamily/preventfraud/trends.html](http://www.FreddieMac.com/singlefamily/preventfraud/trends.html).