

# Mortgage Fraud: Common Schemes and Potential Red Flags



**essentials**  
Training Program

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*Note: These training materials present content that we believe is consistent with mortgage industry practices. They are not designed to provide training on any particular set of underwriting guidelines that may be issued by mortgage originators, investors or insurers, including Essent. Accordingly, these materials should not be viewed or utilized as a substitute for direct reference to applicable rules, guidelines, regulations, and laws as they may relate to any specific lending institution, investor or insurer. Where illustrative scenarios are offered, the names and titles we use are purely fictitious and are not intended to represent any real persons or financial institutions.*

## Introduction and Overview

Mortgage Fraud has become an increasing problem within the mortgage industry. This class was designed primarily to assist underwriters in understanding the significance of fraud and spotting the “red flags” within a loan application.

At the conclusion of this session participants will be able to:

- Define Mortgage Fraud
- Understand the Impact of Mortgage Fraud
- Understand How Mortgage Fraud is Perpetrated
- Recognize How to Spot Fraud
- Discuss the Future Outlook

## ***What do you know about Mortgage Fraud?***

1. According to the CoreLogic, what are the estimated annual losses due to mortgage fraud as reported in 2011?
2. What is the total number of Suspicious Activity reports filed in fiscal 2011?
3. Since 2006, instances of Mortgage Fraud have....
4. From 2012 - 2013, Core Logic reports that mortgage application fraud risk resulting from \_\_\_\_\_ fraud has shown the largest increase.
5. According to FinCEN, which state was ranked first for misrepresentation in 2012?

## ***What is Mortgage Fraud?***

The FBI defines Mortgage Fraud as "any material misstatement, misrepresentation or omission relied upon by an underwriter or lender to fund, purchase or insure a loan."

Common Types:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

## ***Two Types of Mortgage Fraud***

Mortgage Fraud is generally divided into two categories; Fraud for \_\_\_\_\_  
and Fraud for \_\_\_\_\_.

Which type is more costly to lenders?

\_\_\_\_\_

## Fraud for Profit

Fraud for Profit schemes typically involves a person or a group of people who abuse the system for \_\_\_\_\_. These individuals are often \_\_\_\_\_ who know how to exploit the complex residential finance system at the expense of lenders, taxpayers, consumers and communities.



Notes: \_\_\_\_\_

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## Fraud for Property

Fraud for property is generally committed by a potential homebuyer in order to purchase a home for their own use. In most cases, it involves a borrower who is trying to buy a home when he/she cannot legitimately qualify for a loan. The potential homeowner misrepresents information on the \_\_\_\_\_ and generally will alter other documents related to income, employment and/or assets. Borrowers who commit Fraud for property often do not recognize that they are doing anything wrong – particularly when the fraud is committed with the assistance of an industry insider.



Notes: \_\_\_\_\_

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## Common Fraud Schemes

The most common Fraud schemes may be executed either for profit or for housing.

While some fraud schemes only involve misrepresentation on loan file documents, other schemes utilize very complex plots with multiple individuals involved in the fraud.

### ***The Straw Buyer***

A straw buyer is an individual whose personal profile is used to serve as a cover for a transaction. A straw buyer may be a willing participant in the transaction, or a victim of identity theft. In some cases a straw buyer is not even a real person, he/she exists only on paper.

Fraud for property often involves an individual who “borrows” the identity of a friend or family member in order to receive a home loan. Often the individual “lending” their identity is a willing participant. They may or may not receive financial compensation for their part in the scheme.

Fraud for profit utilizes straw buyers in a number of ways that we will cover in more detail later in the module.

## Why Use a Straw Buyer?

The actual borrower may not.....

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

## Spotting the Straw Buyer

Documentation contained in the loan file may provide clues that a straw buyer is involved in the transaction. Below we have listed a number of the most common red flags associated with straw buyers. While none of these red flags prove that fraud is occurring they all warrant further investigation and consideration.

- A quit claim deed is used either right before, or soon after, loan closing
- Investment property is represented as owner-occupied
- Someone signed on the borrower's behalf
- Names were added to the purchase contract
- Sale involves a relative or related party
- No sales agent is involved

## ***Identity Theft***

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## ***Fraudulent Loan Documents***

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## ***Inflated Appraisals***

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## Spotting the Red Flags

Now that we've looked at the various techniques used in perpetrating fraud, we want to turn our attention to the loan file to discuss how to spot the clues or the red flags that could indicate that Fraud or Misrepresentation is occurring.

Fraud Classification	Originated in 2011 (est.)
Application	47%
Verification of Deposit	20%
Appraisal/Valuation	17%
Escrow/Closing Documents	15%
Tax Returns/Financial Statements	12%
Verification of Employment	5%
Credit Report	3%

Source: July 2012 The LexisNexis 14<sup>th</sup> Annual Mortgage Fraud Report

Note: The total exceeds 100% because in many cases, more than one type of fraud is present.

## Exercise 1 – Review and Describe the Problem

### Uniform Residential Appraisal Report

File # MJones

The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.				
Property Address 526 LINCOLN STREET		City RAVENNA	State OH Zip Code 44266	
Borrower ROBERT BLOCK		Owner of Public Record SIMPSON	County PORTAGE	
Legal Description LOT 2 BLOCK 5				
SUBJECT	Assessor's Parcel # 004-978347		Tax Year 2011 R.E. Taxes \$ 1,983	
	Neighborhood Name CAMBRIDGE		Map Reference P22C3 Census Tract 6016	
	Occupant <input checked="" type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant		Special Assessments \$ 0 <input type="checkbox"/> PUD <input type="checkbox"/> HOA \$ 0 <input type="checkbox"/> per year <input type="checkbox"/> per month	
	Property Rights Appraised <input checked="" type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold <input type="checkbox"/> Other (describe)			
	Assignment Type <input checked="" type="checkbox"/> Purchase Transaction <input type="checkbox"/> Refinance Transaction <input type="checkbox"/> Other (describe)			
	Lender/Client First Mortgage Company		Address 1482 CIRCLE DR, STRONGSVILLE, OH 41138	
	Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
	Report data source(s) used, offering price(s), and date(s). LISTED 10/1/2012 FOR \$250,000 and reduced to \$225,000 on 12/15/2012.			
	THE DATA SOURCE IS MLS#12345678.			
	CONTRACT	I <input checked="" type="checkbox"/> did <input type="checkbox"/> did not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed.		
Contract Price \$ 325,000 Date of Contract 1/15/2013		Is the property seller the owner of public record? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Data Source(s) Assessor's Record		
Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				
If Yes, report the total dollar amount and describe the items to be paid.				
NEIGHBORHOOD	<b>Note: Race and the racial composition of the neighborhood are not appraisal factors.</b>			
	<b>Neighborhood Characteristics</b>		<b>One-Unit Housing Trends</b>	
	Location <input type="checkbox"/> Urban <input type="checkbox"/> Suburban <input type="checkbox"/> Rural	Property Values <input type="checkbox"/> Increasing <input type="checkbox"/> Stable <input type="checkbox"/> Declining	PRICE AGE	Present Land Use %
	Built-Up <input type="checkbox"/> Over 75% <input type="checkbox"/> 25-75% <input type="checkbox"/> Under 25%	Demand/Supply <input type="checkbox"/> Shortage <input type="checkbox"/> In Balance <input type="checkbox"/> Over Supply	\$ (000) (yrs)	One-Unit %
	Growth <input type="checkbox"/> Rapid <input type="checkbox"/> Stable <input type="checkbox"/> Slow	Marketing Time <input type="checkbox"/> Under 3 mths <input type="checkbox"/> 3-6 mths <input type="checkbox"/> Over 6 mths	Low	Multi-Family %
	Neighborhood Boundaries		High	Commercial %
			Pred.	Other %
	Neighborhood Description			
Market Conditions (including support for the above conclusions)				

### Notes

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## Exercise 2 – Review and Circle/Highlight the Problem

### Uniform Residential Loan Application

This application is designed to be completed by the applicant(s) with the Lender's assistance. Applicants should complete this form as "Borrower" or "Co-Borrower," as applicable. Co-Borrower information must also be provided (and the appropriate box checked) when the income or assets of a person other than the Borrower (including the Borrower's spouse) will be used as a basis for loan qualification or the income or assets of the Borrower's spouse or other person who has community property rights pursuant to state law will not be used as a basis for loan qualification, but his or her liabilities must be considered because the spouse or other person has community property rights pursuant to applicable law and Borrower resides in a community property state, the security property is located in a community property state, or the Borrower is relying on other property located in a community property state as a basis for repayment of the loan.

If this is an application for joint credit, Borrower and Co-Borrower each agree that we intend to apply for joint credit (sign below):

Borrower		Co-Borrower					
I. TYPE OF MORTGAGE AND TERMS OF LOAN							
Mortgage Applied for:		<input type="checkbox"/> VA <input checked="" type="checkbox"/> Conventional <input type="checkbox"/> Other (explain): <input type="checkbox"/> FHA <input type="checkbox"/> USDA/Rural		Agency Case Number		Lender Case Number	
		Housing Service				F11736-63-01	
Amount	Interest Rate	No. of Months	Amortization Type:		<input checked="" type="checkbox"/> Fixed Rate <input type="checkbox"/> Other (explain): <input type="checkbox"/> GPM <input type="checkbox"/> ARM (type):		
\$ 175,000.00	7.00 %	360					
II. PROPERTY INFORMATION AND PURPOSE OF LOAN							
Subject Property Address (street, city, state & ZIP)						No. of Units	
929 Laurel Lane, Harrisburg, GA 22845						1	
Legal Description of Subject Property (attach description if necessary)						Year Built	
Pebneir AMD, PL No 4 Ph 74-974 Lots 9 thru lots 11 blk 12						1993	
Purpose of Loan				Property will be:			
<input checked="" type="checkbox"/> Purchase <input type="checkbox"/> Construction <input type="checkbox"/> Other (explain): <input type="checkbox"/> Refinance <input type="checkbox"/> Construction-Permanent				<input checked="" type="checkbox"/> Primary Residence <input type="checkbox"/> Secondary Residence <input type="checkbox"/> Investment			
<i>Complete this line if construction or construction-permanent loan.</i>							
Year Lot Acquired	Original Cost	Amount Existing Liens	(a) Present Value of Lot	(b) Cost of Improvements	Total (a + b)		
	\$	\$	\$	\$	\$ 0.00		
<i>Complete this line if this is a refinance loan.</i>							
Year Acquired	Original Cost	Amount Existing Liens	Purpose of Refinance	Describe Improvements	<input type="checkbox"/> made <input type="checkbox"/> to be made		
	\$	\$		Cost: \$			
Title will be held in what Name(s)				Manner in which Title will be held		Estate will be held in:	
Charles Moore				Joint with Spouse		<input checked="" type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold (show expiration date)	
Source of Down Payment, Settlement Charges, and/or Subordinate Financing (explain)							
Borrower		III. BORROWER INFORMATION				Co-Borrower	
Borrower's Name (include Jr. or Sr. if applicable)				Co-Borrower's Name (include Jr. or Sr. if applicable)			
Charles Moore							
Social Security Number	Home Phone (incl. area code)	DOB (mm/dd/yyyy)	Yrs. School	Social Security Number	Home Phone (incl. area code)	DOB (mm/dd/yyyy)	Yrs. School
945-31-7117	633-947-1879	04-22-1975	16				
<input checked="" type="checkbox"/> Married <input type="checkbox"/> Unmarried (include single, divorced, widowed)		Dependents (not listed by Co-Borrower)		<input type="checkbox"/> Married <input type="checkbox"/> Unmarried (include single, divorced, widowed)		Dependents (not listed by Borrower)	
<input type="checkbox"/> Separated		no.   ages		<input type="checkbox"/> Separated		no.   ages	
Present Address (street, city, state, ZIP)				Present Address (street, city, state, ZIP)			
7934 Germanton Way, Midland, VA 47852				<input checked="" type="checkbox"/> Own <input type="checkbox"/> Rent 4 No. Yrs. <input type="checkbox"/> Own <input type="checkbox"/> Rent ___ No. Yrs.			
Mailing Address, if different from Present Address				Mailing Address, if different from Present Address			
<i>If residing at present address for less than two years, complete the following:</i>							
Former Address (street, city, state, ZIP)				Former Address (street, city, state, ZIP)			
<input type="checkbox"/> Own <input type="checkbox"/> Rent ___ No. Yrs.				<input type="checkbox"/> Own <input type="checkbox"/> Rent ___ No. Yrs.			
Borrower		IV. EMPLOYMENT INFORMATION				Co-Borrower	
Name & Address of Employer		<input type="checkbox"/> Self Employed		Yrs. on this job		Name & Address of Employer	
CCI Incorporated				3			
617 East 4th Street		Yrs. employed in this line of work/profession		4			
Midland, VA 47852							
Position/Title/Type of Business		Business Phone (incl. area code)		Position/Title/Type of Business		Business Phone (incl. area code)	
Manager		748-542-8216					
<i>If employed in current position for less than two years or if currently employed in more than one position, complete the following:</i>							

## Verification of Income/Tax Returns/Financial Statements

### Fraudulent Paystubs:

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### Fraudulent W2's:

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### Tax Return Information Inconsistent

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**Asset Renting:**

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**Appraisal / Valuation:**

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## Exercise 3 – Review and Describe the Problem

**Individual Condominium Unit Appraisal Report** File #

The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.

Property Address: 5000 HENRIETTA PLACE Unit #: City: OXNARD State: CA Zip Code: 93033  
 Borrower: HANK MACK / MACY MACK Owner of Public Record: HANK AND MACY MACK County: VENTURA  
 Legal Description: TRACT 5004 LOT 2; REF 66M4 56 UNIT 3134  
 Assessor's Parcel #: 322-0-808-544 Tax Year: 2011 R.E. Taxes \$: 4,683  
 Project Name: WESTWIND Phase #: 1 Map Reference: 255-50 Census Tract: 45.00  
 Occupant:  Owner  Tenant  Vacant Special Assessments \$: HOA \$: 97  per year  per month  
 Property Rights Appraised:  Fee Simple  Leasehold  Other (describe):  
 Assignment Type:  Purchase Transaction  Refinance Transaction  Other (describe):  
 Lender/Client: S&E FINANCIAL GROUP DBA FIRST MTG Address: 4500 TRANSPORTATION STREET, VENTURA CA 93003

Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal?  Yes  No  
 Report data source(s) used, offering price(s), and date(s):

**C O N T R A C T**

I did  I did not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed.  
 Contract Price \$: Date of Contract: Is the property seller the owner of public record?  Yes  No Data Source(s):  
 Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower?  Yes  No  
 If Yes, report the total dollar amount and describe the items to be paid.

**N E I G H B O R H O O D**

**Notes: Race and the racial composition of the neighborhood are not appraisal factors.**

Neighborhood Characteristics	Condominium Unit Housing Trends	Condominium Housing	Present Land Use %
Location: <input type="checkbox"/> Urban <input checked="" type="checkbox"/> Suburban <input type="checkbox"/> Rural	Property Values: <input type="checkbox"/> Increasing <input checked="" type="checkbox"/> Stable <input type="checkbox"/> Declining	PRICE: AGE	One-Unit: 85%
Built-Up: <input checked="" type="checkbox"/> Over 75% <input type="checkbox"/> 25-75% <input type="checkbox"/> Under 25%	Demand/Supply: <input type="checkbox"/> Shortage <input checked="" type="checkbox"/> In Balance <input type="checkbox"/> Over Supply	193 Low 1	2-4 Unit: 5%
Growth: <input type="checkbox"/> Rapid <input checked="" type="checkbox"/> Stable <input type="checkbox"/> Slow	Marketing Time: <input checked="" type="checkbox"/> Under 3 mths <input type="checkbox"/> 3-6 mths <input type="checkbox"/> Over 6 mths	450 High 35	Multi-Family: 5%
Neighborhood Boundaries: BOUNDED BY: PLEASURE ROAD TO THE N, CAPITAL ROAD TO THE E, HUMAN ROAD TO THE S, AND SAUVORS ROAD TO THE W		390 Pred 1	Commercial: 5%
Neighborhood Description: THE SUBJECT IS LOCATED IN A GATED CONDO COMMUNITY KNOWN AS WESTWIND, FEATURING GOOD QUALITY AND DESIGN, INCLUDING CONDO/PTD PROJECTS AND DETACHED SINGLE FAMILY RESIDENCE, CLOSE TO SCHOOLS, PARK, SHOPPING CENTER, AND SUPPORTING FACILITIES. EMPLOYMENT IS STABLE WITH THERE BEING A VARIETY OF EMPLOYERS IN THE NEIGHBORHOOD.			Other: 0%
Market Conditions (including support for the above conclusions): THE PROPERTY VALUES WITHIN THE AREA APPEAR TO BE STABLE. MARKETING TIME IS ESTIMATED AT APPROXIMATELY ONE TO THREE MONTHS, WITH THE SUPPLY RELATIVELY IN BALANCE WITH CURRENT DEMAND FOR RESIDENTIAL IMPROVEMENTS. PREVALENT FINANCING CONSISTS MOSTLY OF CONVENTIONAL, FHA AND VA LOANS, BOTH FIXED AND VARIABLE RATES, PLUS OR MINUS 80% TO 90% LOAN TO VALUE.			

Topography: LEVEL Size: Density: AVERAGE View: NONE  
 Specific Zoning Classification: RPD Zoning Description: TOWNHOUSES  
 Zoning Compliance:  Legal  Legal Nonconforming – Do the zoning regulations permit rebuilding to current density?  Yes  No  
 No Zoning  Illegal (describe):  
 Is the highest and best use of the subject property as improved (or as proposed per plans and specifications) the present use?  Yes  No If No, describe:

**P R O J E C T S I T E**

Utilities: Public Other (describe): Public Other (describe): Off-site Improvements—Type: Public Private  
 Electricity:   Water:   Street:    
 Gas:   Sanitary Sewer:   Alley:    
 FEMA Special Flood Hazard Area:  Yes  No FEMA Flood Zone: X500 FEMA Map #: 0604948579 FEMA Map Date: 1/20/2012  
 Are the utilities and off-site improvements typical for the market area?  Yes  No If No, describe:  
 Are there any adverse site conditions or external factors (easements, encroachments, environmental conditions, land uses, etc.)?  Yes  No If Yes, describe:  
 NO ENCROACHMENTS OR EASEMENTS WERE NOTED. AREA DOES NOT APPEAR TO HAVE SPECIAL ASSESSMENTS AND NO ILLEGAL OR LEGAL CONFORMING USES WERE NOTED. A TITLE REPORT WAS NOT REVIEWED IN THE COURSE OF PREPARATION OF THIS APPRAISAL.

Data source(s) for project information: WESTWIND  
 Project Description:  Detached  Row or Townhouse  Garden  Mid-Rise  High-Rise  Other (describe):

General Description	General Description	Subject Phase	# of Phases	# of Phases	# of Phases
# of Stories: 2	Exterior Walls: STUCCO	# of Units: 156	# of Phases: 1	# of Planned Phases: 1	
# of Elevators: 0	Roof Surface: TILE	# of Units completed: 126	# of Units: 156	# of Planned Units: 156	
<input checked="" type="checkbox"/> Existing <input type="checkbox"/> Proposed	Total # Parking: 312	# of Units For Sale: 6	# of Units for Sale: 36	# of Units for Sale: 36	
<input type="checkbox"/> Under Construction	Ratio (spaces/units): 2/1	# of Units Sold: 120	# of Units Sold: 120	# of Units Sold: 120	
Year Built: 2011	Type: GARAGE	# of Units Rented: 20	# of Units Rented: 20	# of Units Rented: 20	
Effective Age: 1	Guest Parking: MULTIPLE	# of Owner Occupied Units: 100	# of Owner Occupied Units: 100	# of Owner Occupied Units: 100	

Project Primary Occupancy:  Principle Residence  Second Home or Recreational  Tenant  
 Is the developer/builder in control of the Homeowners' Association (HOA)?  Yes  No  
 Management Group:  Homeowners' Association  Developer  Management Agent – Provide name of management company:  
 Does any single entity (the same individual, investor group, corporation, etc.) own more than 10% of the total units in the project?  Yes  No If Yes, describe:  
 Was the project created by the conversion of an existing building(s) into a condominium?  Yes  No If Yes, describe the original use and the date of conversion:  
 Are the units, common elements, and recreation facilities complete (including any planned rehabilitation for a condominium conversion)?  Yes  No If No, describe:  
 Is there any commercial space in the project?  Yes  No If Yes, describe and indicate the overall percentage of the commercial space:

Borrower: Hank Mack / Macy Mack	File No.
Property Address: 5000 Henrietta Place	Case No.
City: Oxnard State: CA	Zip: 93033
Lender: S & E Financial DBA First Mtg	



FRONT VIEW OF  
SUBJECT PROPERTY



REAR VIEW OF  
SUBJECT PROPERTY



STREET SCENE



Dining room



Kitchen ( No appliances )



Family room



Bedroom



Bedroom



Bedroom



Loft



Bathroom



Bathroom

***Verification of Deposit:***

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***Verification of Employment:***

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***Credit Report:***

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## Exercise 4 – Review and Describe the Problem

### Uniform Residential Loan Application

This application is designed to be completed by the applicant(s) with the Lender's assistance. Applicants should complete this form as "Borrower" or "Co-Borrower," as applicable. Co-Borrower information must also be provided (and the appropriate box checked) when the income or assets of a person other than the Borrower (including the Borrower's spouse) will be used as a basis for loan qualification or the income or assets of the Borrower's spouse or other person who has community property rights pursuant to state law will not be used as a basis for loan qualification, but his or her liabilities must be considered because the spouse or other person has community property rights pursuant to applicable law and Borrower resides in a community property state, the security property is located in a community property state, or the Borrower is relying on other property located in a community property state as a basis for repayment of the loan.

If this is an application for joint credit, Borrower and Co-Borrower each agree that we intend to apply for joint credit (sign below):

Borrower		Co-Borrower			
<b>I. TYPE OF MORTGAGE AND TERMS OF LOAN</b>					
Mortgage Applied for:	<input type="checkbox"/> VA <input type="checkbox"/> FHA	<input type="checkbox"/> Conventional <input type="checkbox"/> USDA/Rural <input type="checkbox"/> Housing Service	<input type="checkbox"/> Other (explain):		
Agency Case Number	Lender Case Number				
Amount \$ 161,500.00	Interest Rate 7.375 %	No. of Months 360	Amortization Type: <input checked="" type="checkbox"/> Fixed Rate <input type="checkbox"/> GPM <input type="checkbox"/> ARM (type):		
<b>II. PROPERTY INFORMATION AND PURPOSE OF LOAN</b>					
Subject Property Address (street, city, state & ZIP) 404 Collins Road, Houston, TX 77097			No. of Units 1		
Legal Description of Subject Property (attach description if necessary)			Year Built 1973		
Purpose of Loan		Property will be:			
<input checked="" type="checkbox"/> Purchase <input type="checkbox"/> Refinance		<input checked="" type="checkbox"/> Primary Residence <input type="checkbox"/> Secondary Residence <input type="checkbox"/> Investment			
<input type="checkbox"/> Construction <input type="checkbox"/> Construction-Permanent		<input type="checkbox"/> Other (explain):			
<i>Complete this line if construction or construction-permanent loan.</i>					
Year Lot Acquired	Original Cost	Amount Existing Liens	(a) Present Value of Lot		
	\$	\$	\$		
			(b) Cost of Improvements		
			\$ 0.00		
<i>Complete this line if this is a refinance loan.</i>					
Year Acquired	Original Cost	Amount Existing Liens	Purpose of Refinance		
	\$	\$			
			Describe Improvements 1st Bank Savings Account		
			<input type="checkbox"/> made <input type="checkbox"/> to be made		
			Cost: \$		
Title will be held in what Name(s) Michael Homebuyer		Manner in which Title will be held Single			
		Estate will be held in: <input checked="" type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold (show expiration date)			
Source of Down Payment, Settlement Charges, and/or Subordinate Financing (explain) 1st Bank Savings Account					
<b>Borrower</b>		<b>III. BORROWER INFORMATION</b>		<b>Co-Borrower</b>	
Borrower's Name (include Jr. or Sr. if applicable) Michael Homebuyer		Co-Borrower's Name (include Jr. or Sr. if applicable)			
Social Security Number	Home Phone (incl. area code)	DOB (mm/dd/yyyy)	Yrs. School	Social Security Number	Home Phone (incl. area code)
999-67-6780					
<input type="checkbox"/> Married <input type="checkbox"/> Separated		<input checked="" type="checkbox"/> Unmarried (include single, divorced, widowed)		<input type="checkbox"/> Married <input type="checkbox"/> Separated	
		Dependents (not listed by Co-Borrower) no. 0 ages		Dependents (not listed by Borrower) no. ages	
Present Address (street, city, state, ZIP) 7809 Heather Ridge, Houston, TX 77097		<input type="checkbox"/> Own <input checked="" type="checkbox"/> Rent 2 No. Yrs.		Present Address (street, city, state, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent ___ No. Yrs.	
Mailing Address, if different from Present Address				Mailing Address, if different from Present Address	
<i>If residing at present address for less than two years, complete the following:</i>					
Former Address (street, city, state, ZIP)		<input type="checkbox"/> Own <input type="checkbox"/> Rent ___ No. Yrs.		Former Address (street, city, state, ZIP)	
				<input type="checkbox"/> Own <input type="checkbox"/> Rent ___ No. Yrs.	
<b>Borrower</b>		<b>IV. EMPLOYMENT INFORMATION</b>		<b>Co-Borrower</b>	
Name & Address of Employer St. Matthews Lutheran School 621 Matthew Road Houston, TX 77097		<input type="checkbox"/> Self Employed Yrs. on this job 4 yrs 3 mo Yrs. employed in this line of work/profession 10		Name & Address of Employer <input type="checkbox"/> Self Employed Yrs. on this job Yrs. employed in this line of work/profession	
Position/Title/Type of Business Music Program Dir		Business Phone (incl. area code)		Position/Title/Type of Business Business Phone (incl. area code)	
<i>If employed in current position for less than two years or if currently employed in more than one position, complete the following:</i>					

Borrower		IV. EMPLOYMENT INFORMATION (cont'd)		Co-Borrower	
Name & Address of Employer	<input type="checkbox"/> Self Employed	Dates (from – to)	Name & Address of Employer	<input type="checkbox"/> Self Employed	Dates (from – to)
		Monthly Income			Monthly Income
		\$			\$
Position/Title/Type of Business	Business Phone (incl. area code)		Position/Title/Type of Business	Business Phone (incl. area code)	
Name & Address of Employer	<input type="checkbox"/> Self Employed	Dates (from – to)	Name & Address of Employer	<input type="checkbox"/> Self Employed	Dates (from – to)
		Monthly Income			Monthly Income
		\$			\$
Position/Title/Type of Business	Business Phone (incl. area code)		Position/Title/Type of Business	Business Phone (incl. area code)	

V. MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION						
Gross Monthly Income	Borrower	Co-Borrower	Total	Combined Monthly Housing Expense	Present	Proposed
Base Empl. Income*	\$ 6,976.89	\$	\$ 6,976.89	Rent	\$ 1,200.00	
Overtime			0.00	First Mortgage (P&I)		\$ 992.55
Bonuses			0.00	Other Financing (P&I)		
Commissions			0.00	Hazard Insurance		
Dividends/Interest			0.00	Real Estate Taxes		241.71
Net Rental Income			0.00	Mortgage Insurance		110.50
Other (before completing, see the notice in "describe other income," below)			0.00	Homeowner Assn. Dues		265.00
				Other:		
<b>Total</b>	<b>\$ 6,976.89</b>	<b>\$ 0.00</b>	<b>\$ 6,976.89</b>	<b>Total</b>	<b>\$ 1,200.00</b>	<b>\$ 1,609.76</b>

\* Self Employed Borrower(s) may be required to provide additional documentation such as tax returns and financial statements.

Describe Other Income

**Notice:** Alimony, child support, or separate maintenance income need not be revealed if the Borrower (B) or Co-Borrower (C) does not choose to have it considered for repaying this loan.

B/C	Monthly Amount
	\$

**VI. ASSETS AND LIABILITIES**

This Statement and any applicable supporting schedules may be completed jointly by both married and unmarried Co-Borrowers if their assets and liabilities are sufficiently joined so that the Statement can be meaningfully and fairly presented on a combined basis; otherwise, separate Statements and Schedules are required. If the Co-Borrower section was completed about a non-applicant spouse or other person, this Statement and supporting schedules must be completed about that spouse or other person also.

Completed  Jointly  Not Jointly

ASSETS		Cash or Market Value	LIABILITIES		
Description			Name and address of Company	Monthly Payment & Months Left to Pay	Unpaid Balance
Cash deposit toward purchase held by:		\$ 5,000.00	Homeplace Bank	\$ Payment/Months 812	\$ 25,288.00
Acct. no.		\$ 1,403.89	Acct. no.		
Name and address of Bank, S&L, or Credit Union			Name and address of Company	\$ Payment/Months	\$
1st Bank - Savings			PNMC	60	2,179.00
Acct. no.		\$ 12,047.04	Acct. no.		
Name and address of Bank, S&L, or Credit Union			Name and address of Company	\$ Payment/Months	\$
			HB Visa	149	4,985.00
Acct. no.		\$	Acct. no.		

VI. ASSETS AND LIABILITIES (cont'd)					
Name and address of Bank, S&L, or Credit Union		Name and address of Company		\$ Payment/Months	\$
Acct. no.	\$	Acct. no.			
Stocks & Bonds (Company name/ number & description)		Name and address of Company		\$ Payment/Months	\$
		Acct. no.			
Life insurance net cash value		Name and address of Company		\$ Payment/Months	\$
Face amount: \$					
<b>Subtotal Liquid Assets</b>					\$ 18,450.93
Real estate owned (enter market value from schedule of real estate owned)					\$
Vested interest in retirement fund					\$
Net worth of business(es) owned (attach financial statement)		Acct. no.			\$
Automobiles owned (make and year)		Alimony/Child Support/Separate Maintenance Payments Owed to:		\$	
Mercedes Benz		45,000.00			
Other Assets (itemize)		Job-Related Expense (child care, union dues, etc.)		\$	
		<b>Total Monthly Payments</b>		\$ 1,021.00	
<b>Total Assets a.</b>		<b>Net Worth (a minus b)</b>		\$ 30,998.93	<b>Total Liabilities b.</b> \$ 32,452.00
\$ 63,450.93					

**Schedule of Real Estate Owned** (If additional properties are owned, use continuation sheet.)

Property Address (enter S if sold, PS if pending sale or R if rental being held for income)	Type of Property	Present Market Value	Amount of Mortgages & Liens	Gross Rental Income	Mortgage Payments	Insurance, Maintenance, Taxes & Misc.	Net Rental Income
		\$	\$	\$	\$	\$	\$
<b>Totals</b>		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$

List any additional names under which credit has previously been received and indicate appropriate creditor name(s) and account number(s):

Alternate Name	Creditor Name	Account Number

VII. DETAILS OF TRANSACTION		VIII. DECLARATIONS					
a. Purchase price	\$	If you answer "Yes" to any questions a through i, please use continuation sheet for explanation.		<b>Borrower</b>		<b>Co-Borrower</b>	
b. Alterations, improvements, repairs				Yes	No	Yes	No
c. Land (if acquired separately)		a. Are there any outstanding judgments against you?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
d. Refinance (incl. debts to be paid off)		b. Have you been declared bankrupt within the past 7 years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
e. Estimated prepaid items		c. Have you had property foreclosed upon or given title or deed in lieu thereof in the last 7 years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
f. Estimated closing costs		d. Are you a party to a lawsuit?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
g. PMI, MIP, Funding Fee		e. Have you directly or indirectly been obligated on any loan which resulted in foreclosure, transfer of title in lieu of foreclosure, or judgment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
h. Discount (if Borrower will pay)		(This would include such loans as home mortgage loans, SBA loans, home improvement loans, educational loans, manufactured (mobile) home loans, any mortgage, financial obligation, bond, or loan guarantee. If "Yes," provide details, including date, name, and address of Lender, FHA or VA case number, if any, and reasons for the action.)					
i. Total costs (add items a through h)	0.00						

VII. DETAILS OF TRANSACTION		VIII. DECLARATIONS			
		Borrower		Co-Borrower	
		Yes	No	Yes	No
j.	Subordinate financing				
k.	Borrower's closing costs paid by Seller 5,100.00	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
l.	Other Credits (explain) Cash Deposit on Sales Contract 5,000.00	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
m.	Loan amount (exclude PMI, MIP, Funding Fee financed) 161,500.00	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
n.	PMI, MIP, Funding Fee financed				
o.	Loan amount (add m & n) 161,500.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
p.	Cash from/to Borrower (subtract j, k, l & o from i) 5,942.68	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		If you answer "Yes" to any question a through i, please use continuation sheet for explanation. f. Are you presently delinquent or in default on any Federal debt or any other loan, mortgage, financial obligation, bond, or loan guarantee? g. Are you obligated to pay alimony, child support, or separate maintenance? h. Is any part of the down payment borrowed? i. Are you a co-maker or endorser on a note? ----- j. Are you a U.S. citizen? k. Are you a permanent resident alien? l. Do you intend to occupy the property as your primary residence? If "Yes," complete question m below. m. Have you had an ownership interest in a property in the last three years? (1) What type of property did you own—principal residence (PR), second home (SH), or investment property (IP)? _____ (2) How did you hold title to the home— by yourself (S), jointly with your spouse (SP), or jointly with another person (O)? _____			

**IX. ACKNOWLEDGEMENT AND AGREEMENT**

Each of the undersigned specifically represents to Lender and to Lender's actual or potential agents, brokers, processors, attorneys, insurers, servicers, successors and assigns and agrees and acknowledges that: (1) the information provided in this application is true and correct as of the date set forth opposite my signature and that any intentional or negligent misrepresentation of this information contained in this application may result in civil liability, including monetary damages, to any person who may suffer any loss due to reliance upon any misrepresentation that I have made on this application, and/or in criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Sec. 1001, et seq.; (2) the loan requested pursuant to this application (the "Loan") will be secured by a mortgage or deed of trust on the property described in this application; (3) the property will not be used for any illegal or prohibited purpose or use; (4) all statements made in this application are made for the purpose of obtaining a residential mortgage loan; (5) the property will be occupied as indicated in this application; (6) the Lender, its servicers, successors or assigns may retain the original and/or an electronic record of this application, whether or not the Loan is approved; (7) the Lender and its agents, brokers, insurers, servicers, successors, and assigns may continuously rely on the information contained in the application, and I am obligated to amend and/or supplement the information provided in this application if any of the material facts that I have represented herein should change prior to closing of the Loan; (8) in the event that my payments on the Loan become delinquent, the Lender, its servicers, successors or assigns may, in addition to any other rights and remedies that it may have relating to such delinquency, report my name and account information to one or more consumer reporting agencies; (9) ownership of the Loan and/or administration of the Loan account may be transferred with such notice as may be required by law; (10) neither Lender nor its agents, brokers, insurers, servicers, successors or assigns has made any representation or warranty, express or implied, to me regarding the property or the condition or value of the property; and (11) my transmission of this application as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or my facsimile transmission of this application containing a facsimile of my signature, shall be as effective, enforceable and valid as if a paper version of this application were delivered containing my original written signature.

**Acknowledgement.** Each of the undersigned hereby acknowledges that any owner of the Loan, its servicers, successors and assigns, may verify or reverify any information contained in this application or obtain any information or data relating to the Loan, for any legitimate business purpose through any source, including a source named in this application or a consumer reporting agency.

Borrower's Signature <i>Michael Homebuyer</i>	Date 12/28/2012	Co-Borrower's Signature X	Date
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**X. INFORMATION FOR GOVERNMENT MONITORING PURPOSES**

The following information is requested by the Federal Government for certain types of loans related to a dwelling in order to monitor the lender's compliance with equal credit opportunity, fair housing and home mortgage disclosure laws. You are not required to furnish this information, but are encouraged to do so. The law provides that a lender may not discriminate either on the basis of this information, or on whether you choose to furnish it. If you furnish the information, please provide both ethnicity and race. For race, you may check more than one designation. If you do not furnish ethnicity, race, or sex, under Federal regulations, this lender is required to note the information on the basis of visual observation and surname if you have made this application in person. If you do not wish to furnish the information, please check the box below. (Lender must review the above material to assure that the disclosures satisfy all requirements to which the lender is subject under applicable state law for the particular type of loan applied for.)

<b>BORROWER</b> <input type="checkbox"/> I do not wish to furnish this information	<b>CO-BORROWER</b> <input type="checkbox"/> I do not wish to furnish this information
<b>Ethnicity:</b> <input type="checkbox"/> Hispanic or Latino <input type="checkbox"/> Not Hispanic or Latino	<b>Ethnicity:</b> <input type="checkbox"/> Hispanic or Latino <input type="checkbox"/> Not Hispanic or Latino
<b>Race:</b> <input type="checkbox"/> American Indian or Alaska Native <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/> Asian <input type="checkbox"/> Black or African American <input type="checkbox"/> White	<b>Race:</b> <input type="checkbox"/> American Indian or Alaska Native <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/> Asian <input type="checkbox"/> Black or African American <input type="checkbox"/> White
<b>Sex:</b> <input type="checkbox"/> Female <input type="checkbox"/> Male	<b>Sex:</b> <input type="checkbox"/> Female <input type="checkbox"/> Male

**To be Completed by Loan Originator:**  
 This information was provided:  
 In a face-to-face interview  
 In a telephone interview  
 By the applicant and submitted by fax or mail  
 By the applicant and submitted via e-mail or the Internet

Loan Originator's Signature X	Date
Loan Originator's Name (print or type)	Loan Originator Identifier
	Loan Originator's Phone Number (including area code)
Loan Origination Company's Name	Loan Origination Company Identifier
	Loan Origination Company's Address

CONTINUATION SHEET/RESIDENTIAL LOAN APPLICATION			
Use this continuation sheet if you need more space to complete the Residential Loan Application. Mark <b>B</b> for Borrower or <b>C</b> for Co-Borrower.	Borrower:	Agency Case Number:	
	Co-Borrower:	Lender Case Number:	

I/We fully understand that it is a Federal crime punishable by fine or imprisonment, or both, to knowingly make any false statements concerning any of the above facts as applicable under the provisions of Title 18, United States Code, Section 1001, et seq.

Borrower's Signature	Date	Co-Borrower's Signature	Date
X		X	

		<b>Credit Services</b>		<b>Preview</b>	Page 1 / 3
				Price	N/A
		Address	Post Office Box 329 / Pebble Beach, CA 93953		
		Phone	888-895-5145 / 888-895-5146 (fax)		
		Support	<a href="mailto:support@credit.com">support@credit.com</a> / <a href="http://www.credit.com">www.credit.com</a>		
	Company		Credit Services	Experian	<input checked="" type="checkbox"/>
	Department		Admin	Equifax	<input checked="" type="checkbox"/>
	Operator		Joe Smith	TransUnion	<input checked="" type="checkbox"/>
	Report ID		CZG-7878787	Ordered	12/28/2012
	FNMA ID		CZG-7878787	Completed	
	Reference		joesmith	Printed	

**INQUIRY IDENTIFICATION**

<b>Applicant</b>						
SSN	Last Name		First Name		Middle	Suffix
999-67-6780		Homebuyer	Michael			
<b>Co-Applicant</b>						
SSN	Last Name		First Name		Middle	Suffix

**INQUIRY ADDRESS**

<b>Primary Address</b>			
Address	City	State	Zip
	Houston	TX	77097

**FRAUD ALERT**

<i>File</i>	<i>Type</i>	<i>Text</i>
BEQ1	SAFESCAN	Your inquiry has gone through our SAFESCAN data base.

**Office of Foreign Assets Control (OFAC)**

<i>File</i>	<i>Status</i>	<i>Text</i>
BEQ1	Clear	NO MATCH FOUND IN CDC'S OFAC DATABASE.

**CREDIT SCORES**

	<i>Bureau</i>	<i>Brand</i>	<i>Type</i>	<i>Borrower</i>	<i>File</i>
690	TU	Empirica	98	Borrower, 999-67-6780	BTU1
	<i>Bureau</i>	<i>Brand</i>	<i>Type</i>	<i>Borrower</i>	<i>File</i>
715	EXP	Fair Isaac	FICO 2	Borrower, 999-67-6780	BEX1
	<i>Bureau</i>	<i>Brand</i>	<i>Type</i>	<i>Borrower</i>	<i>File</i>
705	EQF	Beacon	5.0	Borrower, 999-67-6780	BEQ1
	<i>Bureau</i>	<i>Brand</i>	<i>Type</i>	<i>Borrower</i>	<i>File</i>

Bureau	Brand	Type	Borrower	File

Bureau	Brand	Type	Borrower	File

**CREDIT HISTORY**

**Tradelines**

B EQF EXP TU  <b>Home Place Bank</b> <b>783300623950250</b>	Reported <b>10/2012</b>	Opened <b>8/2011</b>	Last Active <b>9/2011</b>	Reviewed <b>2 mos</b>	Balance <b>\$25,288</b>	Payment <b>\$812</b>	Past Due <b>\$0</b>	30-59 <b>0</b>	60-89 <b>0</b>	90+ <b>0</b>	
	File BEX1 CEX2 BEQ1 CEQ2 BTU1 CTU2		Secured			High Credit <b>\$25,288</b>	Credit Limit				
	PymtGrid CCCCCCCCCCCCX					Terms	37				
	Contact										
	Status CURRENT ACCOUNT										

B EQF EXP TU  <b>PN MC</b> <b>78601100591552</b>	Reported <b>10/2012</b>	Opened <b>6/2011</b>	Last Active <b>10/2012</b>	Reviewed <b>16 mos</b>	Balance <b>\$2,179</b>	Payment <b>\$60</b>	Past Due <b>\$0</b>	30-59 <b>0</b>	60-89 <b>0</b>	90+ <b>0</b>	
	File BTU1 CEX2 BEQ1 CEQ2 BEX1 CTU2		Revolving CRC			High Credit <b>\$3543</b>	Credit Limit <b>\$</b>				
	PymtGrid CCCCCCCCCCCCCCCCCCCCCC					Terms	REV				
	Contact										
	Status CURRENT										

B TU  <b>HB VISA</b> <b>787021270101</b>	Reported <b>10/2012</b>	Opened <b>2/2006</b>	Last Active <b>10/2012</b>	Reviewed <b>6 mos</b>	Balance <b>\$4,985</b>	Payment <b>\$ 149</b>	Past Due <b>\$0</b>	30-59 <b>0</b>	60-89 <b>0</b>	90+ <b>0</b>	
	File BTU1 CEX2 BEQ1 CEQ2 BEX1 CTU2		Revolving CRC			High Credit <b>\$ 5500</b>	Credit Limit <b>\$ 6000</b>				
	PymtGrid CCCCCX					Terms	REV				
	Contact										
	Status CURRENT; Canceled By Credit Grantor										

I-B EQF EXP TU  <b>Mercedes Benz</b> <b>7896202338</b>	Reported <b>10/2012</b>	Opened <b>6/2011</b>	Last Active <b>10/2012</b>	Reviewed <b>16 mos</b>	Balance <b>\$24,870</b>	Payment <b>\$</b>	Past Due <b>\$0</b>	30-59 <b>0</b>	60-89 <b>0</b>	90+ <b>0</b>	
	File BTU1 BEQ1 BEX1		Undesignated			High Credit <b>\$33,091</b>	Credit Limit <b>\$0</b>				
	PymtGrid CCCCCCCCCCCCCCCCCCCCCC					Terms	66				
	Contact										
	Status CURRENT										

I-B EQF EXP TU	Reported <b>12/2012</b>	Opened <b>9/2012</b>	Last Active <b>9/2012</b>	Reviewed <b>1</b>	Balance	Payment <b>\$463</b>	Past Due <b>\$0</b>	30-59 <b>0</b>	60-89 <b>0</b>	90+ <b>0</b>	
<b>Home Place Bank 78448911911511</b>	File		Undesignated SECURED		<b>\$14,460</b>	High Credit <b>\$14,460</b>	Credit Limit <b>\$0</b>				
	PymtGrid CCCCCCCCCCCCCCCCCCCCCC					Terms 37					
	Contact CURRENT										
	Status CURRENT										

**INQUIRIES**

Date	Name	Subscriber Code	Reported On	ECOA
10/25/2012	Homeplace Bank	Z 419063	TUC-A1	I
10/14/2012	GMAC	113290	EXP-A1	
11/14/2012	FMC	444ZB04348	EQX-A1	
11/12/2012	Carmax	Q 6274835	TUC-A1	Participant
9/12/2012	ABC Bank	1132980	EXP-A1	
9/12/2012	HNC	Q 6274835	TUC-A1	Participant
8/10/2012	Homeplace Bank	444ZB04346	EQX-A1	
8/9/2012	Homeplace Bank	1320410	EXP-A1	
7/29/2012	Homeplace Bank	1942924	EXP-C1	

**ADDRESSES**

Address	City	State	Zip	Reported	Updated	File
<b>7809 Heather Ridge</b>	<b>Houston</b>	<b>TX</b>	<b>77097</b>			<b>BTU1</b>

**EMPLOYMENT**

Employer	Title	State Date	End Date	File
<b>St. Matthews School</b>	<b>Music Director</b>	<b>9/20/08</b>		<b>BEX1</b>

**END OF REPORT**

<b>Credit Services</b>		<b>Preview</b>	Page 1 / 1
		Price	N/A
Address	Post Office Box 329 / Pebble Beach, CA 93953		
Phone	888-895-5145 / 888-895-5146 (fax)		
Support	<a href="mailto:support@credit.com">support@credit.com</a> / <a href="http://www.credit.com">www.credit.com</a>		
	Company	Credit Services	Experian <input checked="" type="checkbox"/>
	Department	Admin	Equifax <input checked="" type="checkbox"/>
	Operator	Joe Smith	TransUnion <input checked="" type="checkbox"/>
	Report ID	CZG-787878787	Ordered 12/28/2012
	FNMA ID	CZG-787878787	Completed
	Reference	joesmith	Printed

**INQUIRY IDENTIFICATION**

Applicant						
SSN	Last Name	Homebuyer	First Name	Michael	Middle	Suffix
999-67-6780						
Co-Applicant						
SSN	Last Name		First Name		Middle	Suffix

Completed 12/31/2012  
Supplemental Report

Creditor	Date Reported	Date Opened Last Activity Date	Credit	Balance Terms	Past Due Amount	Historical Status	Present Status	EEOA
Mercedes Benz 7896202338 History: 0000000000 Paid on 11/2012		06/2011 11/2012	\$33091 Auto	0	0	0 0 0 12	AS AGREED XF/TU/EF	

## Exercise 5 – Review and Describe the Problem

Borrower				III. BORROWER INFORMATION				Co-Borrower			
Borrower's Name (include Jr. or Sr. if applicable) PHILLIP PARIS				Co-Borrower's Name (include Jr. or Sr. if applicable) MARY PARIS							
Social Security Number 111-22-3333	Home Phone (incl. area code) 888-817-0000	DOB (mm/dd/yyyy) 2/1/76	Yrs. School	Social Security Number 222-33-4444	Home Phone (incl. area code) 888-817-0000	DOB (mm/dd/yyyy) 1/17/78	Yrs. School				
<input checked="" type="checkbox"/> Married <input type="checkbox"/> Unmarried (include single, divorced, widowed)		Dependents (not listed by Co-Borrower) no.      ages		<input checked="" type="checkbox"/> Married <input type="checkbox"/> Unmarried (include single, divorced, widowed)		Dependents (not listed by Borrower) no.      0      ages					
Present Address (street, city, state, ZIP) <input type="checkbox"/> Own <input checked="" type="checkbox"/> Rent <u>3</u> No. Yrs. 28 PROVIDENT STREET, NEWARK, NJ 07105				Present Address (street, city, state, ZIP) <input type="checkbox"/> Own <input checked="" type="checkbox"/> Rent <u>3</u> No. Yrs. 28 PROVIDENT STREET, NEWARK, NJ 07105							
Mailing Address, if different from Present Address				Mailing Address, if different from Present Address							
<i>If residing at present address for less than two years, complete the following:</i>											
Former Address (street, city, state, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent ____ No. Yrs.				Former Address (street, city, state, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent ____ No. Yrs.							
Borrower				IV. EMPLOYMENT INFORMATION				Co-Borrower			
Name & Address of Employer <input type="checkbox"/> Self Employed PERFECT CUSTOM BUILDING & CONTRACTING 1 HARDING AVENUE UNIONGROVE, NJ 07063				Name & Address of Employer <input type="checkbox"/> Self Employed PERFECT DAY NURSERY 70 BROADSTREET NEW, NJ 07104				Name & Address of Employer <input type="checkbox"/> Self Employed Yrs. on this job    11 Yrs. employed in this line of work/profession 11			
Position/Title/Type of Business MACHINE OPERATOR		Business Phone (incl. area code) 878-777-6666		Position/Title/Type of Business TEACHER		Business Phone (incl. area code) 888-111-2222					
<i>If employed in current position for less than two years or if currently employed in more than one position, complete the following:</i>											
Borrower				IV. EMPLOYMENT INFORMATION (cont'd)				Co-Borrower			
Name & Address of Employer <input type="checkbox"/> Self Employed				Name & Address of Employer <input type="checkbox"/> Self Employed				Name & Address of Employer <input type="checkbox"/> Self Employed			
Dates (from – to)				Dates (from – to)				Dates (from – to)			
Monthly Income				Monthly Income				Monthly Income			
\$				\$				\$			
Position/Title/Type of Business		Business Phone (incl. area code)		Position/Title/Type of Business		Business Phone (incl. area code)					
Name & Address of Employer <input type="checkbox"/> Self Employed				Name & Address of Employer <input type="checkbox"/> Self Employed				Name & Address of Employer <input type="checkbox"/> Self Employed			
Dates (from – to)				Dates (from – to)				Dates (from – to)			
Monthly Income				Monthly Income				Monthly Income			
\$				\$				\$			
Position/Title/Type of Business		Business Phone (incl. area code)		Position/Title/Type of Business		Business Phone (incl. area code)					

<b>Credit Services</b>		Preview	Page 1 / 3
		Price	N/A
Address	Post Office Box 329 / Pebble Beach, CA 93953		
Phone	888-895-5145 / 888-895-5146 (fax)		
Support	<a href="mailto:support@credit.com">support@credit.com</a> / <a href="http://www.credit.com">www.credit.com</a>		
	Company	Old Republic	Experian <input checked="" type="checkbox"/>
	Department	Admin	Equifax <input checked="" type="checkbox"/>
	Operator	Joe Smith	TransUnion <input checked="" type="checkbox"/>
	Report ID	CZG-7878787	Ordered 12/28/2012
	FNMA ID	CZG-7878787	Completed 12/28/2012
	Reference	joesmith	Printed

**INQUIRY IDENTIFICATION**

<b>Applicant</b>						
SSN	Last Name		First Name		Middle	Suffix
111-22-3333		PARIS		PHILLIP		
<b>Co-Applicant</b>						
SSN	Last Name		First Name		Middle	Suffix
222-33-4444		PARIS		MARY		

**INQUIRY ADDRESS**

<b>Primary Address</b>			
Address	City	State	Zip
28 PROVIDENT STREET	NEWARK	NJ	07105

**FRAUD ALERT**

File	Type	Text
BEQ1	SAFESCAN	Your inquiry has gone through our SAFESCAN data base.

**Office of Foreign Assets Control (OFAC)**

File	Status	Text
BEQ1	Clear	NO MATCH FOUND IN CDC'S OFAC DATABASE.
CEQ2	Clear	NO MATCH FOUND IN CDC'S OFAC DATABASE.

**CREDIT SCORES**

	Bureau	Brand	Type	Borrower	File
690	TU	Empirica	98	Borrower, 111-22-3333	BTU1
715	EXP	Fair Isaac	FICO 2	Borrower, 111-22-3333	BEX1
705	EQF	Beacon	5.0	Borrower, 111-22-3333	BEQ1
771	TU	Empirica	98	Coborrower, 111-22-3333	CTU2

	Bureau	Brand	Type	Borrower	File
<b>782</b>	<b>EXP</b>	<b>Fair Isaac</b>	<b>FICO 2</b>	<b>Coborrower, 222-33-4444</b>	<b>CEX2</b>

	Bureau	Brand	Type	Borrower	File
<b>761</b>	<b>EQF</b>	<b>Beacon</b>	<b>5.0</b>	<b>Coborrower, 222-33-4444</b>	<b>CEQ2</b>

**CREDIT HISTORY**

**Tradelines**

J-B EQF EXP TU  PN MC 78601100591552	Reported	Opened	Last Active	Reviewed	Balance	Payment	Past Due	30-59	60-89	90+	
	<b>11/2012</b>	<b>2/1995</b>	<b>11/2012</b>	<b>48 mos</b>				<b>\$60</b>	<b>\$0</b>	<b>0</b>	<b>0</b>
File		Revolving			<b>\$2,179</b>	High Credit	Credit Limit				
BTU1 CEX2 BEQ1 CEQ2 BEX1 CTU2		CRC				<b>\$3543</b>	<b>\$1000</b>				
PymtGrid					CCCCCCCCCCCCCCCCCCCC		Terms	REV			
Contact											
Status CURRENT											

J-B TU  HB VISA 787021270101	Reported	Opened	Last Active	Reviewed	Balance	Payment	Past Due	30-59	60-89	90+	
	<b>11/2012</b>	<b>3/2006</b>	<b>11/2012</b>	<b>6 mos</b>				<b>\$149</b>	<b>\$0</b>	<b>0</b>	<b>0</b>
File		Revolving			<b>\$4,985</b>	High Credit	Credit Limit				
BTU1 CEX2 BEQ1 CEQ2 BEX1 CTU2		CRC				<b>\$5500</b>	<b>\$6000</b>				
PymtGrid					CCCCCX		Terms	REV			
Contact											
Status CURRENT; Canceled By Credit Grantor											

I-B EQF EXP TU  Home Place Loan 7896202338	Reported	Opened	Last Active	Reviewed	Balance	Payment	Past Due	30-59	60-89	90+
	<b>11/2012</b>	<b>10/2008</b>	<b>12/2012</b>	<b>48 mos</b>				<b>\$428</b>	<b>\$0</b>	<b>0</b>
File		Undesignated			<b>\$45,800</b>	High Credit	Credit Limit			
BTU1 BEQ1 BEX1						<b>\$0</b>	<b>\$0</b>			
PymtGrid					CCCCCCCCCCCCCCCCCCCC					
Contact										
Status CURRENT										

I-B EQF EXP TU  GMAC Leasing 78448911911511	Reported	Opened	Last Active	Reviewed	Balance	Payment	Past Due	30-59	60-89	90+
	<b>11/2012</b>	<b>5/2010</b>	<b>11/2012</b>	<b>24 mos</b>				<b>\$595</b>	<b>\$0</b>	<b>0</b>
File		Undesignated			<b>\$4,550</b>	High Credit	Credit Limit			
		SECURED				<b>\$0</b>	<b>\$0</b>			
PymtGrid					CCCCCCCCCCCCCCCCCCCC		Terms			
Contact CURRENT										
Status CURRENT										

**PUBLIC RECORDS**

No Public Records were found.

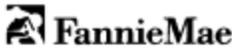
**ADDRESSES**

<i>Address</i>	<i>City</i>	<i>State</i>	<i>Zip</i>	<i>Reported</i>	<i>Updated</i>	<i>File</i>
<b>28 Provident Street</b>	<b>Newark</b>	<b>NJ</b>	<b>07105</b>			<b>BTU1</b>

**EMPLOYMENT**

<i>Employer</i>	<i>ADDRESS</i>	<i>Title</i>	<i>State</i> <i>Date</i>	<i>End Date</i>	<i>File</i>
<b>SELF EMPLOYED</b>	<b>28 PROVIDENT STREET, NEWARK, NJ 07105</b>				<b>BXP1</b>
<b>SELF</b>					<b>BXP1</b>
<b>FRANK PARIS</b>	<b>SOUTH, NJ</b>				<b>BTU1</b>
<b>FADE</b>	<b>7 RESEARCH</b>	<b>DRIVER</b>			<b>BTU1</b>
<b>/</b>					<b>CEQ2</b>
<b>Perfect Day Nursery</b>					<b>CEQ2</b>

**END OF REPORT**



## Request for Verification of Employment

**Privacy Act Notice:** This information is to be used by the agency collecting it or its assignees in determining whether you qualify as a prospective mortgagor under its program. It will not be disclosed outside the agency except as required and permitted by law. You do not have to provide this information, but if you do not your application for approval as a prospective mortgagor or borrower may be delayed or rejected. The information requested in this form is authorized by Title 38, USC, Chapter 37 (if VA); by 12 USC, Section 1701 et. seq. (if HUD/FHA); by 42 USC, Section 1462b (if HUD/CPD); and Title 42 USC, 1471 et. seq., or 7 USC, 1821 et. seq. (if USDA/FmHA).

**Instructions:** Lender – Complete items 1 through 7. Have applicant complete item 8. Forward directly to employer named in item 1.  
 Employer – Please complete either Part II or Part III as applicable. Complete Part IV and return directly to lender named in item 2.  
 The form is to be transmitted directly to the lender and is not to be transmitted through the applicant or any other party.

### Part I – Request

1. To (Name and address of employer) PERFECT CUSTOM BUILDING & CONTRACTING 1 HARDING AVENUE UNIONGROVE, NJ 07063	2. From (Name and address of lender) AMERICA LENDING 1800 MORRIS AVENUE UNIONGROVE, NJ 07063
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I certify that this verification has been sent directly to the employer and has not passed through the hands of the applicant or any other interested party.

3. Signature of Lender	4. Title LOAN PROCESSOR	5. Date	6. Lender's Number (Optional) AFGIWT092K93
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I have applied for a mortgage loan and stated that I am now or was formerly employed by you. My signature below authorizes verification of this information.

7. Name and Address of Applicant (include employee or badge number) PHILLIP PARIS 28 PROVIDENT STREET, NEWARK, NJ 07105	8. Signature of Applicant SEE ATTACHED BORROWER
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### Part II – Verification of Present Employment

9. Applicant's Date of Employment 04/01/2005	10. Present Position MACHINE OPERATOR	11. Probability of Continued Employment GOOD
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12A. Current Gross Base Pay (Enter Amount and Check Period)			13. For Military Personnel Only		14. If Overtime or Bonus is Applicable, Is Its Continuance Likely?
<input checked="" type="checkbox"/> Annual <input type="checkbox"/> Hourly <input type="checkbox"/> Monthly <input type="checkbox"/> Other (Specify) <input type="checkbox"/> Weekly			Pay Grade Type    Monthly Amount Base Pay    \$		
12B. Gross Earnings			Rations    \$		15. If paid hourly – average hours per week 40
Type	Year To Date	Past Year	Flight or Hazard    \$		
Base Pay	Thru \$ 71,568.47	\$ 68,719.17	Clothing    \$		16. Date of applicant's next pay increase 4/15/2013
Overtime	\$	\$	Quarters    \$		17. Projected amount of next pay increase 3 %
Commissions	\$	\$	Pro Pay    \$		18. Date of applicant's last pay increase
Bonus	\$	\$	Overseas or Combat    \$		19. Amount of last pay increase
Total	\$ 71,568.47	\$ 68,719.17	Variable Housing Allowance    \$		

20. Remarks (If employee was off work for any length of time, please indicate time period and reason)

### Part III – Verification of Previous Employment

21. Date Hired	23. Salary/Wage at Termination Per (Year) (Month) (Week)			
22. Date Terminated	Base	Overtime	Commissions	Bonus
24. Reason for Leaving	25. Position Held			

**Part IV – Authorized Signature** - Federal statutes provide severe penalties for any fraud, intentional misrepresentation, or criminal connivance or conspiracy purposed to influence the issuance of any guaranty or insurance by the VA Secretary, the U.S.D.A., FmHA/FHA Commissioner, or the HUD/CPD Assistant Secretary.

26. Signature of Employer	27. Title (Please print or type) V.P.	28. Date 12/28/2012
29. Print or type name signed in item 26	30. Phone No. 900-988-1021	

Fannie Mae  
 Form 1005 July 96

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# Appendix

## *Potential Red Flags*

### **Loan Application Red Flags**

-  Down payment other than cash (rent credit, sale of personal property, repayment of loan, gift, etc.)
-  Non-purchasing spouse
-  Borrower buying investment property, but does not own current residence
-  New home is not large enough for proposed occupants
-  Post office box is the only address listed for employer (especially on the handwritten application)
-  Significant or unrealistic commute distance from subject property to employment (on owner-occupied transactions)
-  Number of years on the job/in that profession inconsistent with borrower's age
-  Borrower's level of education is inconsistent with employment
-  Borrower's office phone number is the same as home number (borrower is possibly self-employed)
-  Assets inconsistent compared to liabilities (for example, significant assets, yet no credit or minimal credit)
-  Buyer is downgrading to smaller or less expensive home
-  Incomplete handwritten application
-  Borrower income inconsistent with type of employment
-  Non-transient job with company phone number identified as a cell phone
-  Incomplete Schedule of Real Estate Owned - undisclosed debt
-  Significant or contradictory changes in debt, employment, income or assets from the initial to the final application
-  Borrower is purchasing property from landlord or employer
-  Last name of loan officer is the same as borrower

## Credit Report Red Flags

- ▶ All credit reports and/or supplements are not included in the file
- ▶ Personal data not consistent with handwritten application
- ▶ Social security number is invalid or differs from loan application
- ▶ Variance in residence data from other file documentation
- ▶ Variance in employment data from other file documentation
- ▶ No credit (possible use of alias or different social security number)
- ▶ All accounts paid in full recently (possibly a new, undisclosed consolidation loan)
- ▶ Refinance of recently originated loan (current lender may have accelerated for misrepresentation)
- ▶ Length of time on credit bureau file inconsistent with buyer's age
- ▶ Also Known As (AKA) or Doing Business As (DBA) indicated
- ▶ Recent inquiries from other mortgage lenders
- ▶ Handwritten application lists debts in the same order as credit report
- ▶ Indebtedness disclosed on the mortgage application varies from that reflected on the credit report
- ▶ Infile credit report on closing date shows additional debt
- ▶ Credit report is from a different lender
- ▶ Hawk alerts

## Verification of Employment (VOE) Red Flags

- ▶ Appearance that the VOE may have been hand-carried (i.e., folded, not creased) - this issue now seems to be ONLY having a written VOE and nothing else seems to be a flag since it is rare, seeing VOE not completed correctly (no address)
- ▶ Name of employer incorporates some form of borrower's name (for example, borrower is John Doe and employer is J.D. Enterprises)
- ▶ Employer uses mail drop or post office box address
- ▶ Income is out of line with the type of employment
- ▶ Commission-type position with "base" salary only (and vice versa)
- ▶ Round dollar amounts in (i.e., year-to-date or prior year's earnings)
- ▶ "Squeezed-in" numbers
- ▶ Illegible signature with no further identification
- ▶ Co-borrower's maiden name is the same as the signature of employer (self-employed)
- ▶ Person verifying employment appears to be related to the borrower
- ▶ Credit explanation indicates that borrower was late due to illness/layoff, but income on VOE is not lower during that time period
- ▶ Business entity is not in good standing or not registered with the appropriate regulatory agencies
- ▶ Handwritten paystubs or W-2 forms
- ▶ Person verifying income is not in a proper position to sign the VOE ex. "phone representative" – follow guidelines for obtaining verbal VOEs – independent verification ...not "I will have my employer call you" or using the phone number on the application

## Paystub Red Flags

-  Form is handwritten
-  Not computer-generated from large employer
-  Check numbers do not increase chronologically
-  Round dollar amounts
-  Amounts withheld for Social Security, Medicare and other government programs are inconsistent with the level required (note: for 2011 SS withholding will be 4.2% instead of 6.2%)
-  Debts reflected as deduction from pay (credit union loans, etc.) not disclosed on application
-  Year-to-date totals do not total accurately from paycheck to paycheck
-  Type/fonts are inconsistent

## Form W-2/1099 Red Flags

-  Form is handwritten
-  Not computer-generated from large employer
-  W-2 is typed, but paystubs are computer-generated
-  Different type/font within the form
-  Employer identification number is formatted other than XX-XXXXXXX (two digits, hyphen, seven digits) and/or other than numeric (could be invalid)
-  Employer and employee names or addresses are inaccurate
-  Round dollar amounts
-  Income reflected on W-2 statements is different than income reported on mortgage application, VOE and tax returns
-  FICA and Medicare wages/taxes and local taxes, where applicable, exceed ceilings/set percentages
-  Copy submitted is not “Employee’s Copy” (Copy C) – keep in mind borrower may have filed electronically
-  Withholdings are inconsistent with paystub

### Tax Returns (Form 1040)

-  Address and/or profession does not agree with other information submitted on the mortgage application
-  Type of handwriting varies within return
-  Evidence of “white-out” or other alterations
-  Unemployment compensation reported, but no gap in employment is disclosed
-  No estimated tax payments by self-employed borrower (Schedule SE required); or self-employment tax claimed, but self-employment not disclosed

### Schedule A (Itemized Deductions)

-  Real estate taxes and/or mortgage interest is paid but no property is owned (or vice versa)
-  Tax preparation fee is deducted, yet prior year’s return is prepared by borrower
-  Few or no deductions for a high-income borrower

### Schedule B (Interest and Dividend Income)

-  Borrower with substantial cash in the bank shows little or no related interest income
-  No dividends are earned on stocks owned
-  Amount or source of income does not agree with the information submitted on the mortgage application

### Schedule C (Profit/Loss from Business Owned)

- ▶ Business code is inconsistent with type of business
- ▶ Gross income does not agree with total income on Form 1099s
- ▶ No “cost of goods sold” on retail or similar type of business
- ▶ Borrower takes a depreciation deduction for real estate not disclosed (or vice versa)
- ▶ Borrower shows interest expense but no related loan (possibly business loans with personal liability)
- ▶ No deductions for taxes and licenses
- ▶ Wages are paid, but no tax expense is claimed
- ▶ Wages are paid, but there is no employer identification number
- ▶ Salaries paid are inconsistent with the type of business
- ▶ Business expenses are inconsistent with type of business (for example, truck driver with no car and truck expense)
- ▶ Income significantly higher than from previous years

### Schedule E (Rents and Royalties)

- ▶ Additional properties are listed, but not shown, on the mortgage application
- ▶ Mortgage interest is deducted but no mortgage is disclosed
- ▶ Net income from rents plus depreciation does not equal the cash flow submitted by borrower
- ▶ Borrower shows partnership income (may be liable as a general partner for partnership’s debts)

**Verification of Deposit (VOD) – only having this document is sending a red flag since banks started charging for this...usually borrower will bring in bk statements**

- ▶ Source of funds consists of (unverified) note, equity exchange, sale of residence
- ▶ Evidence that VOD may have been hand-carried
- ▶ Post office box for depository (if not typical for area or company)
- ▶ Round dollar amounts (especially on interest-bearing accounts)
- ▶ New bank account (verify previous account)
- ▶ Significant changes in balance from previous two months to date of verification
- ▶ Savings account with average two-month balance exactly equal to present balance (no interest accumulation)
- ▶ Excessive balance in checking account vs. savings account
- ▶ “Squeezed-in” numbers
- ▶ Loan secured by checking or savings account
- ▶ Bank account not in borrower’s name
- ▶ Bank account or bank statements reflect additional, non-borrowing account holders
- ▶ Illegible signature with no further identification
- ▶ Gift letter that is not backed up by written transfer of funds
- ▶ Bank statements reflect periodic deposits at odds with reported income
- ▶ Bank statements include insufficient funds fees
- ▶ Bank statements reflect periodic withdrawals at odds with debts (undisclosed debt is a big issue)
- ▶ Bank statements reflect daily balances inconsistent with opening/closing balances
- ▶ Bank statements do not reflect withdrawal of earnest-money deposit
- ▶ Deposit money made in multiple transactions
- ▶ VOD signed by bank officer, or someone who ordinarily would not verify an account
- ▶ Bank statement does not reconcile
- ▶ Bank logo on statement is suspicious

## Bank Checks

- ▶ Numbers, payee or other information appear to be altered Bank and/or account number is inconsistent with the information on application
- ▶ Low check number (indicates newly opened account)
- ▶ Check is not canceled
- ▶ Dollar amount is not encoded correctly on check
- ▶ Check number does not agree with encoded number
- ▶ Endorsement dates are inconsistent with the date the check was written
- ▶ Check numbers from single account do not increase chronologically
- ▶ Checks reflect additional signers for the account
- ▶ Cashier's check for funds to close mentions an entity on non-interested party as "remittee" (possible flip)

## Sales Contract

- ▶ Borrower is not shown as purchaser
- ▶ Names are deleted from, or added to, the purchase contract
- ▶ Seller is a realtor, relative or employer
- ▶ Earnest-money deposit consists of the entire downpayment, or is an odd amount
- ▶ Sales price is substantially below market value
- ▶ Second mortgage is indicated
- ▶ No realtor involved
- ▶ Name and address on earnest-money deposit check is different from that of the buyer
- ▶ Earnest-money deposit checks have inconsistent dates; for example,
  - Check #111 dated November 1
  - Check #113 dated September 1
  - Check #114 dated October 1
- ▶ Multiple contracts exist
- ▶ Earnest-money check is not cashed
- ▶ Sales contract date is after the appraisal date

## Escrow/Closing Instructions

- ▶ “Fill in the blank” escrow instructions
- ▶ Change of sales prices to “fit” the appraisal
- ▶ Odd amounts paid as a deposit/downpayment
- ▶ Downpayment is paid into escrow upon opening
- ▶ Cash is paid outside of escrow to property seller
- ▶ Sale is subject to property seller acquiring title
- ▶ Business entity acting as the property seller is controlled by or related to borrower
- ▶ Buyer is required to use a specific broker/lender
- ▶ Reference to another (double) escrow
- ▶ Unusual credits with no economic substance
- ▶ Demands paid off to undisclosed third parties (potential obligations)
- ▶ Purchase not subject to inspection
- ▶ Right of assignment (who is the actual borrower?)
- ▶ Related parties involved in the transaction
- ▶ Power of attorney used with no explanation (why can't borrower execute documents?)
- ▶ Power of attorney is not properly documented/recorded
- ▶ No amendments to escrow
- ▶ Unusual amendments to the original transaction
- ▶ Seller on HUD I different than seller on preliminary title report

## Appraisal

- ▶ Ordered by any party to the transaction other than lender (buyer, property seller, realtor)
- ▶ Owner's name does not agree with other information disclosed in the loan file
- ▶ Spaces where requesting information is left blank (borrower, client, occupant, etc.)
- ▶ Appreciation in stable or declining area
- ▶ Most recent sale on subject and comps is missing
- ▶ Date of appraisal is prior to date of sales contract
- ▶ New home is not large enough for proposed occupants
- ▶ High land value in urban areas (consider the area)
- ▶ Comps not verified as recorded (data source MLS, sales office, SREA, CMDC, real estate agent, etc.)
- ▶ Excessive distance of comps from subject property
- ▶ Excessive adjustments in urban or suburban area where marketing time is under six months
- ▶ Income approach is not used on tenant-occupied, single-family dwellings
- ▶ Ordered before sales contract written
- ▶ Photos do not match description of property
- ▶ Photos of subject property taken from odd angles
- ▶ Photos reveal items not disclosed in appraisal (for example, commercial property next door, railroad tracks, another structure on premises, etc.)
- ▶ "For rent, for sale" sign in photo of subject property on owner-occupant refinance application
- ▶ Appraiser is located outside of subject property county
- ▶ Weather conditions in photo of property are not appropriate for the date of the appraisal (i.e., July photo shows snow on the ground for a property in Illinois)
- ▶ Occupant is identified as a tenant on an owner-occupied application
- ▶ Occupants are unknown
- ▶ House number in photo does not match property address

## Preliminary Title Report/Title Search

- ▶ Prepared for/mailed to a party other than the lender
- ▶ Property seller not on the title (double escrow)
- ▶ Property seller-owned property for a short time with cash out on the sale
- ▶ Notice of default is recorded (possible cash-out refinance with a straw buyer)
- ▶ Delinquent property taxes
- ▶ Judgment against borrower is not shown on credit report
- ▶ Modification agreement on existing loan(s)
- ▶ Suspicious transfer

## HUD-1/Settlement Statement

- ▶ Names and addresses of property seller and buyer vary from other loan documentation
- ▶ Date of settlement is delayed without explanation
- ▶ Sales price differs from sales contract
- ▶ Reference is made to undisclosed secondary financing or double escrow
- ▶ Rent prorated on owner-occupied transactions
- ▶ Cash proceeds to buyer in excess of \$300
- ▶ Zero amount due to/from buyer
- ▶ HUD-1 or escrow instructions contain unusual credits, disbursements, related parties, delinquent loans paid off, or multiple mortgages paid off
- ▶ Excessive fees

## Additional Red Flags

-  Type, spacing, and/or font varies within document from a single source
-  Inconsistent borrowers' names, phone numbers, addresses, Social Security numbers, or handwriting throughout file
-  More than one mortgage lender is reflected throughout the file
-  Parties to the transaction have more than one role (for example, realtor is landlord, employer is gift donor)
-  Borrower appears to be related to any other party reflected in the file except the gift donor (for example, verifier of funds or employment, appraiser, escrow officer, etc.)
-  Borrowers' signatures differ throughout the loan package
-  Unusually long or unusually short loan processing time (brokered loans)
-  Patterns or similarities in loan packages received from a specific broker, loan originator, realtor or property seller
-  Borrower or any other individual/company is on Freddie Mac's Exclusionary List

## FICA TAXES

The maximum amount of earnings subject to Social Security tax rises in step with increases in national average wages.

Maximum Earnings Taxable						
Program	2008	2009	2010	2011	2012	2013
Social Security (FICA Taxes)*	\$102,000	\$106,800	\$106,800	\$106,800	\$110,100	\$113,700
Medicare	No Limit for any year after 1983					

### NOTE:

The Social Security tax rate is 6.2% and the Medicare tax rate is 1.45% for each year shown above. Except for the years 2011 and 2012 when the Social Security tax rate was temporarily reduced to 4.2%. Thus the maximum Social Security tax withheld in 2011 is \$4,485.60. See below for details.

Social Security payroll taxes are collected under authority of the Federal Insurance Contributions Act (FICA). The payroll taxes are sometimes even called “FICA Taxes.”

WASHINGTON — The Internal Revenue Service released instructions to help employers implement the 2011 cut in payroll taxes, along with new income-tax withholding tables that employers will use during 2011.

This was extended for 2012.

Millions of workers saw their take-home pay rise during 2011/2012 because of Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 providing a two percentage point payroll tax cut for employees, reducing their Social Security tax withholding rate from 6.2 percent to 4.2 percent of wages paid.

For Self-employed borrowers the percentage will go from 12.4 to 10.4.

Source: [www.ssa.gov](http://www.ssa.gov)

## State Individual Income Taxes – Table

	TAX RATE RANGE (in percents)		Number of Brackets	INCOME BRACKETS		PERSONAL EXEMPTIONS			FEDERAL INCOME TAX DEDUCTIBLE
	Low	High		Lowest	Highest	Single	Married	Dependents	
ALABAMA	2.0	- 5.0	3	500 (b)	- 3,001 (b)	1,500	3,000	500 (e)	Yes
ALASKA	No State Income Tax								
ARIZONA	2.59	- 4.54	5	10,000 (b)	- 150,001 (b)	2,100	4,200	2,100	
ARKANSAS (a)	1.0	- 7.0	6	3,899	- 32,700	23 (c)	46 (c)	23 (c)	
CALIFORNIA (a)	1.0	- 9.3 (f)	6	7,316 (b)	- 48,029 (b)	102 (c)	204 (c)	315 (c)	
COLORADO	4.83		1	-----Flat rate-----		3,700 (d)	7,400 (d)	3,700 (d)	
CONNECTICUT	3.0	- 6.7	6	10,000 (b)	- 250,000 (b)	13,000 (g)	24,000 (g)	0	
DELAWARE	2.2	- 6.75	6	5,000	- 60,001	110 (c)	220 (c)	110 (c)	
FLORIDA	No State Income Tax								
GEORGIA	1.0	- 6.0	6	750 (h)	- 7,001 (h)	2,700	5,400	3,000	
HAWAII	1.4	- 11.00	12	2,400 (b)	- 200,001 (b)	1,040	2,080	1,040	
IDAHO (a)	1.6	- 7.8	8	1,338 (b)	- 26,760 (b)	3,700 (d)	7,400 (d)	3,700 (d)	
ILLINOIS	5.0		1	-----Flat rate-----		2,000	4,000	2,000	
INDIANA	3.4		1	-----Flat rate-----		1,000	2,000	2,500 (i)	
IOWA (a)	0.36	- 8.98	9	1,469	- 66,105	40 (c)	80 (c)	40 (c)	Yes
KANSAS	3.5	- 6.45	3	15,000 (b)	- 30,001 (b)	2,250	4,500	2,250	
KENTUCKY	2.0	- 6.0	6	3,000	- 75,001	20 (c)	40 (c)	20 (c)	
LOUISIANA	2.0	- 6.0	3	12,500 (b)	- 50,001 (b)	4,500 (j)	9,000 (j)	1,000	Yes
MAINE (a)	2.0	- 8.5	4	5,100 (b)	- 20,350 (b)	2,850	5,700	2,850	
MARYLAND	2.0	- 5.5	7	1,000	- 500,001	3,200	6,400	3,200	
MASSACHUSETTS (a)	5.3		1	-----Flat rate-----		4,400	8,800	1,000	
MICHIGAN (a)	4.35		1	-----Flat rate-----		3,600	7,200	4,200 (k)	
MINNESOTA (a)	5.35	- 7.85	3	23,670 (l)	- 77,731 (l)	3,700 (d)	7,400 (d)	3,700 (d)	
MISSISSIPPI	3.0	- 5.0	3	5,000	- 10,001	6,000	12,000	1,500	
MISSOURI	1.5	- 6.0	10	1,000	- 9,001	2,100	4,200	1,200	Yes (m)
MONTANA (a)	1.0	- 6.9	7	2,700	- 16,000	2,190	4,380	2,190	Yes (m)
NEBRASKA (a)	2.56	- 6.84	4	2,400 (b)	- 27,001 (b)	123 (c)	246 (c)	123 (c)	
NEVADA	No State Income Tax								
NEW HAMPSHIRE	State Income Tax of 5% on Dividends and Interest Income Only								
NEW JERSEY	1.4	- 8.97	6	20,000 (n)	- 500,000 (n)	1,000	2,000	1,500	
NEW MEXICO	1.7	- 4.9	4	5,500 (o)	- 16,001 (o)	3,700 (d)	7,400 (d)	3,700 (d)	
NEW YORK	4.0	- 8.82	8	8,000 (b)	- 1,000,000 (b)	0	0	1,000	
NORTH CAROLINA	6.0	- 7.75	3	12,750 (p)	- 60,000 (p)	1,150	2,300	1,150	
NORTH DAKOTA (a)	1.51	- 3.99	5	35,350 (q)	- 388,350 (q)	3,700 (d)	7,400 (d)	3,700 (d)	
OHIO (a)	0.587	- 5.925	9	5,100	- 204,200	1,650 (r)	3,300 (r)	1,650 (r)	
OKLAHOMA	0.5	- 5.25	7	1,000 (s)	- 8,701 (s)	1,000	2,000	1,000	
OREGON (a)	5.0	- 9.9	4	2,000 (b)	- 125,000 (b)	183 (c)	366 (c)	183 (c)	Yes (m)
PENNSYLVANIA	3.07		1	-----Flat rate-----		-----None-----			
RHODE ISLAND (a)	3.75	- 5.99	3	57,150	- 129,900	3,650	7,300	3,650	
SOUTH CAROLINA (a)	0.0	- 7.0	6	2,800	- 14,000	3,700 (d)	7,400 (d)	3,700 (d)	
SOUTH DAKOTA	No State Income Tax								
TENNESSEE	State Income Tax of 6% on Dividends and Interest Income Only								
TEXAS	No State Income Tax								
UTAH	5.0		1	-----Flat rate-----		(t)	(t)	(t)	
VERMONT (a)	3.55	- 8.95	5	35,350 (u)	- 388,350 (u)	3,700 (d)	7,400 (d)	3,700 (d)	
VIRGINIA	2.0	- 5.75	4	3,000	- 17,001	930	1,860	930	
WASHINGTON	No State Income Tax								
WEST VIRGINIA	3.0	- 6.5	5	10,000	- 60,000	2,000	4,000	2,000	
WISCONSIN (a)	4.6	- 7.75	5	10,570 (v)	- 232,660 (v)	700	1,400	700	
WYOMING	No State Income Tax								
DIST. OF COLUMBIA	4.0	- 8.95	4	10,000	- 350,000	1,675	3,350	1,675	

Equifax: Safescan

**STATE INDIVIDUAL INCOME TAXES (footnotes)**

Source: The Federation of Tax Administrators from various sources.

- (a) 17 states have statutory provision for automatically adjusting to the rate of inflation the dollar values of the income tax brackets, standard deductions, and/or personal exemptions. Massachusetts, Michigan, and Nebraska index the personal exemption only. Oregon does not index the income brackets for \$125,000 and over. Because the inflation-adjustments for 2012 are not yet available in some cases, the table may report the 2011 amounts.
- (b) For joint returns, taxes are twice the tax on half the couple's income.
- (c) The personal exemption takes the form of a tax credit instead of a deduction.
- (d) These states use the personal exemption amounts provided in the federal Internal Revenue Code.
- (e) In Alabama, the per-dependent exemption is \$1,000 for taxpayers with state AGI of \$20,000 or less, \$500 with AGI from \$20,001 to \$100,000, and \$300 with AGI over \$100,000.
- (f) California imposes an additional 1% tax on taxable income over \$1 million, making the maximum rate 10.3% over \$1 million.
- (g) Connecticut's personal exemption incorporates a standard deduction. An additional tax credit is allowed ranging from 75% to 0% based on state adjusted gross income. Exemption amounts are phased out for higher income taxpayers until they are eliminated for households earning over \$71,000.
- (h) The Georgia income brackets reported are for single individuals. For married couples filing jointly, the same tax rates apply to income brackets ranging from \$1,000, to \$10,000.
- (i) In Indiana, includes an additional exemption of \$1,500 for each dependent child.
- (j) The amounts reported for Louisiana are a combined personal exemption-standard deduction.
- (k) In Michigan, includes an additional exemption of \$600 for children age 18 and under. Tax rate scheduled to decrease to 4.25% on 10/1/13.
- (l) The income brackets reported for Minnesota are for single individuals. For married couples filing jointly, the same tax rates apply to income brackets ranging from \$34,590, to \$137,431.
- (m) The deduction for federal income tax is limited to \$5,000 for individuals and \$10,000 for joint returns in Missouri and Montana, and to \$5,950 for all filers in Oregon.
- (n) The New Jersey rates reported are for single individuals. For married couples filing jointly, the tax rates also range from 1.4% to 8.97%, with 7 brackets and the same high and low income ranges.
- (o) The income brackets reported for New Mexico are for single individuals. For married couples filing jointly, the same tax rates apply to income brackets ranging from \$8,000, to \$24,000.
- (p) The income brackets reported for North Carolina are for single individuals. For married taxpayers filing jointly, the same tax rates apply to income brackets ranging from \$21,250, to \$100,000.
- (q) The income brackets reported for North Dakota are for single individuals. For married couples filing jointly, the same tax rates apply to income brackets ranging from \$59,100 to \$388,350.
- (r) Ohio provides an additional tax credit of \$20 per exemption. 2012 tax rates and brackets reported.
- (s) The income brackets reported for Oklahoma are for single persons. For married persons filing jointly, the same tax rates apply to income brackets ranging from \$2,000, to \$15,000.
- (t) Utah provides a tax credit equal to 6% of the federal personal exemption amounts (an applicable standard deduction).
- (u) Vermont's income brackets reported are for single individuals. For married taxpayers filing jointly, the same tax rates apply to income brackets ranging from \$59,050, to \$388,350.
- (v) The Wisconsin income brackets reported are for single individuals. For married taxpayers filing jointly, the same tax rates apply income brackets ranging from \$14,090, to \$310,210.

# Equifax: Safescan

Equifax's 'Safescan' fraud alerts package offers 17 fraud alerts of which 4 are unique compared to the other bureaus. When used in combination with alerts from the other bureaus, these create a foundation of identity and behavioral data that empowers better risk underwriting and establishes a core for FACTA Red Flags compliance.

Below are the potential alert messages available through Equifax Safescan:

Type	ID	Message
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<b>Name</b>	3*	Possible true name fraud. Thorough verification suggested.*
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<b>SSN</b>	4*	Possible Individual Taxpayer Identification Number (ITIN). Thorough verification suggested.*
	A	Social Security number has never been issued by the Social Security Administration.
	B	Social Security number has been reported misused. Thorough verification suggested.
	I	Social Security number is issued to person who has been reported deceased.
	M*	Social Security number issued by the Social Security Administration within the last five years.*
	O	Inquiry Social Security number is issued prior to inquiry date of birth. Thorough verification suggested.

<b>Address</b>	2	Inquiry address has been reported misused. Thorough verification suggested.
	C*	Inquiry address has been associated with more than one name or Social Security number. Thorough verification suggested.*
	E	Inquiry address is a storage facility. Thorough verification suggested.
	F	Inquiry address is a check cashing facility. Thorough verification suggested.
	G	Inquiry address is a U.S. Post Office Street Address. Thorough verification suggested.
	H	Inquiry address is a campground. Thorough verification suggested.
	J	Inquiry address is a hotel/motel. Thorough verification suggested.
	K	Inquiry address is a telephone answering service. Thorough verification suggested.
	P	Inquiry address is a state/federal prison or detention facility. Thorough verification suggested.
	Z	Inquiry address is a mail receiving service. Thorough verification suggested.

\* Unique alerts to Equifax and are not available with any other Bureau.

As the bureau alerts are generic across all industries, consider using Informative Research's "Red Flags Risk Platform" to streamline the detection and prevention efforts specific mortgage fraud. IR's risk report is the only mortgage-centric solution that prioritizes alerts, defines them, and offers best practice suggestions.

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 info@informativeresearch.com  
 www.informativeresearch.com





**Fraud Shield indicators**

*Fraud Shield launches a series of checks, searches and counters to instantly recognize the warning signs of fraud.*

Fraud Shield indicator	What does it mean?	Suggested course of action
<b>01 Inquiry/On file current address conflict</b>	The address used on the inquiry is different than the address Experian has as the consumer's best, most current address	<ul style="list-style-type: none"> <li>• Verify input address</li> <li>• Contact consumer using application information</li> <li>• Use Checkpoint to further verify consumer's information</li> </ul>
<b>02 Inquiry address first reported &lt;90 days</b>	The address used on inquiry was first reported for the consumer within the last 90 days	<ul style="list-style-type: none"> <li>• Verify input address</li> <li>• Contact consumer using application information</li> <li>• Use Checkpoint to further verify consumer's information</li> </ul>
<b>03 Inquiry current address not on file</b>	The inquiry address does not match an address File One has for this consumer	<ul style="list-style-type: none"> <li>• Verify input address</li> <li>• Contact consumer to verify address</li> <li>• Use Checkpoint to further verify consumer's information</li> </ul>
<b>04 Inquiry Social Security number has not been issued</b>	The Social Security number on the inquiry has not been issued by the Social Security Administration	<ul style="list-style-type: none"> <li>• Verify applicant Social Security number</li> <li>• Contact consumer using application information</li> <li>• Use Checkpoint to further verify consumer</li> </ul>
<b>05 Inquiry Social Security number recorded as deceased</b>	Social Security Administration reports death benefits are being paid on the Social Security number used on inquiry	<ul style="list-style-type: none"> <li>• Verify applicant Social Security number</li> <li>• Verify survivor of consumer is not using Social Security number of deceased</li> <li>• Ask for a copy of another form of identification (i.e. driver's license, credit card number)</li> <li>• Use Checkpoint to further verify consumer</li> </ul>
<b>06 Inquiry age younger than Social Security number issue date</b>	The age used on the inquiry is younger than the Social Security number issue date; possible case of identity theft	<ul style="list-style-type: none"> <li>• Verify consumer's age</li> <li>• Ask for a copy of the consumer's Social Security card</li> </ul>
<b>07 Credit established before age 18</b>	Consumer established credit before the age of 18; possible identity theft with Date of Birth	<ul style="list-style-type: none"> <li>• Verify consumer's age</li> <li>• Ask for a copy of the consumer's Social Security card</li> </ul>
<b>08 Credit established prior to Social Security number issue date</b>	Consumer's first trade was opened prior to the Social Security number issue date	<ul style="list-style-type: none"> <li>• Verify consumer's age</li> <li>• Ask consumer for a copy of Social Security card</li> <li>• Ask for a copy of another form of identification</li> </ul>
<b>09 More than 3 inquiries in the last 30 days</b>	More than 3 inquiries have been posted to the consumer's profile within the last 30 days	<ul style="list-style-type: none"> <li>• Contact consumer and verify he/she is shopping for credit or service</li> <li>• Use Checkpoint to further verify consumer</li> </ul>
<b>10 Inquiry address: High-risk</b>	Inquiry address is a business address having a potential for fraudulent activity	<ul style="list-style-type: none"> <li>• Verify consumer's address</li> <li>• Contact consumer using application information</li> <li>• Use Checkpoint to further verify address</li> </ul>



Fraud Shield indicator	What does it mean?	Suggested course of action
<b>11 Inquiry address: Non-residential</b>	The inquiry address is a business address	<ul style="list-style-type: none"> <li>• Verify consumer's address</li> <li>• Contact consumer using application information</li> <li>• Use Checkpoint to further verify address</li> </ul>
<b>12 Security statement present on report</b>	This consumer has been reported as a fraud victim	<ul style="list-style-type: none"> <li>• Verify consumer</li> <li>• Contact consumer and verify he/she is shopping for credit or service</li> </ul>
<b>13 High probability Social Security number belongs to another</b>	According to File One, the Social Security number used on the application is more closely associated to another consumer	<ul style="list-style-type: none"> <li>• Verify accuracy of input</li> <li>• Look for Fraud Shield indicators 04, 05, 06, 14</li> <li>• Ask consumer for copy of Social Security card</li> </ul>
<b>14 Inquiry Social Security number format is invalid</b>	The Social Security number provided is not a valid number as reported by the Social Security Administration	<ul style="list-style-type: none"> <li>• Verify accuracy of Social Security number</li> <li>• Ask consumer for copy of Social Security card</li> </ul>
<b>15 Inquiry address: Cautious</b>	Fraud has been perpetrated at the inquiry address	<ul style="list-style-type: none"> <li>• Verify consumer's address</li> <li>• Contact consumer using application information</li> </ul>
<b>16 On file address: High-risk</b>	One of the consumer's on file addresses is a business address having a potential for fraudulent activity	<ul style="list-style-type: none"> <li>• Verify consumer's address</li> <li>• Contact consumer using application information</li> <li>• Use Checkpoint to further verify address</li> </ul>
<b>17 On file address: Non-residential</b>	One of the consumer's on file addresses is a business	<ul style="list-style-type: none"> <li>• Verify consumer's address</li> <li>• Contact consumer using application information</li> <li>• Use Checkpoint to further verify address</li> </ul>
<b>18 On file address: Cautious</b>	Fraud has been perpetrated at one of the consumer's on file addresses	<ul style="list-style-type: none"> <li>• Verify consumer's address</li> <li>• Contact consumer using application information</li> </ul>
<b>19 Current address reported by new trade only</b>	The consumer's current address on the credit report has only been reported by the most recently opened trade	<ul style="list-style-type: none"> <li>• Verify consumer's address</li> <li>• Contact consumer to verify application</li> </ul>
<b>20 Current address reported by trade open &lt;90 days</b>	The consumer's current address has been reported by a trade opened within the last 90 days; new accounts can be an indication of identity theft	<ul style="list-style-type: none"> <li>• Verify consumer's address</li> <li>• Contact consumer to verify application</li> <li>• Use Checkpoint to further verify address and telephone number</li> </ul>
<b>21 Telephone number inconsistent with address</b>	Telephone number used on inquiry doesn't correlate to the consumer's current address	<ul style="list-style-type: none"> <li>• Contact consumer to verify application address</li> <li>• Use CheckPoint to verify telephone number</li> </ul>
<b>22 Driver's license number inconsistent with on file</b>	Driver's license number used on inquiry doesn't match consumer's drivers license number on file	<ul style="list-style-type: none"> <li>• Ask consumer for a copy of driver's license</li> <li>• Verify accuracy of driver's license number</li> <li>• Use Checkpoint to further verify license number</li> </ul>

**Fraud Shield gives you the power to:**

- Accurately predict fraud
- Save time and money by reviewing fewer potentially fraudulent applications
- Receive only the output you want
- Easily monitor fraud indicators on your applicant base
- Compare your fraud statistics with industry peers

**Through these advanced fraud detection features:**

- Conducts complete check of Social Security numbers, cautious and high-risk addresses, driver's license and telephone number alerts
- Proprietary "Fuzzy Match Logic" reconciles address variations
- Customizable—you establish the parameters and application review criteria
- Detailed month-end summary reports show distribution of fraud indicators at the branch and company levels
- Aggregate industry statistics are accessible through Experian's Web site

**Focus on prevention**

Don't wait until fraudulent accounts have eroded your profitability—make prevention your first line of defense. Fraud Shield helps you reduce fraud losses and account acquisition costs by identifying the true threat of fraud. In addition, Fraud Shield is fully customizable so you can select the most relevant warnings to your business.

**To find out more about**

**Fraud Shield, contact your local**

**Experian sales representative or call**

**800 333 4930.**

Credit should not be granted or denied based on a Fraud Shield message, but rather on the results of additional research.

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1224/1599 11/02

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## Hawk Messages

HAWK Message	What Does It Mean?	Why Was It Generated?	Suggested Actions
Consumer Statement on File Relates to True Name Fraud or Credit Fraud	The consumer's file with Trans Union contains a statement indicating that the consumer has been a victim of true name or credit fraud.	?? This consumer has been a victim of Fraud. ?? Applicant may be misusing another Consumer's identity to obtain credit.	?? Review Consumer Statement found at the end of the report. ?? Contact consumer directly at the address/telephone number listed in the Consumer Statement before issuing credit.
Address . . . SSN . . . Telephone Number . . .  Reported Used in True Name or Credit Fraud	Address, SSN or Telephone Number matches an address or SSN or telephone number identified as used in a true name or credit fraud.	?? Applicant may be a victim of someone misusing his identity. ?? Applicant may be misusing application information to create new identity or to obtain credit under another's legitimate identity. ?? Applicant may be reusing information used in a previous fraud.	?? Verify accuracy of operator input. ?? Contact consumer using information on application. ?? Verify other information on application. ?? Employment ?? Credit references from financial institutions or other creditors ?? Pull ATLAS report with neighbor information and contact neighbors.
SSN Used in Death Benefits Claim for John Consumer. DOB: 01/01/1950. DOC: 02/02/1990. Zip Code Where benefits Were Paid is 60652. Most Likely Chicago, IL. Zip Code Last Residence is 60652. Most Likely Chicago, IL	Social Security Number invalid. Person SSN assigned to reported deceased by Social Security Administration (SSA).  DOB = Date of Birth DOC = Date of Claim	?? Surviving spouse receiving death benefits from SSA may be using SSN of decedent. ?? Applicant may be using SSN to commit fraud under another person's identity or create new identity.	?? Verify accuracy of operator input. ?? Contact consumer using information on application. ?? Verify that spouse is not using deceased spouse's SSN. ?? Verify other information on application. ?? Employment ?? Credit references from financial institutions or other creditors.
SSN Not Issued by the Social Security Administration	Social Security Number has not been issued by the Social Security Administration	?? Applicant may be using Canadian SSN equivalent. ?? Applicant may be using Employer Identification Number issued by IRS in place of a valid SSN. ?? Applicant may be using SSN to create a new identity.	?? Verify accuracy of operator input. ?? Contact consumer using information on application. ?? Verify other information on application. ?? Employment ?? Credit references from financial institutions or other creditors.
SSN Issued Within the Last (2.5,10) Years; Year issued: 1992-1993; State: IL; (Est. Age Obtained: 16 to 18)	Social Security Number has been issued within the range shown in the message, either in the last 2, 5, or 10 years.  Estimated Age Obtained is calculated by comparing the year(s) issued to a date of birth included on input or found on a file. The estimate may be a negative number.	?? Applicant may be a recent immigrant to the United States. ?? Applicant may be using Canadian SSN equivalent. ?? Applicant may be using Employer Identification Number issued by IRS in place of a valid SSN. ?? Applicant may be using a minor's SSN. ?? Applicant may be using SSN to create a new identity. ?? Negative estimated age obtained may indicate misuse of an SSN.	?? Verify accuracy of operator input. ?? Compare Date of Birth on application to Estimated Age Obtained. ?? Check for negative number indicating an SSN was issued before date of birth ?? Check for recent year issued and year range selected (2, 5, or 10). May indicate use of minor's SSN or SSN issued late in life. ?? Verify other information on application. ?? Employment ?? Credit references from financial institutions or other creditors.

<p>SSN Issued: 1965-1966; State <u>IL</u>; (Est. Age Obtained: <u>14</u> to <u>16</u>)</p>	<p>Social Security Number has been issued in the year(s) shown in the message.  Estimated Age Obtained is calculated by comparing the year(s) issued to a date of birth included on input or found on a file. The estimate may be a negative number.</p>	<p>?? Applicant may be a recent immigrant to the United States. ?? Applicant may be using Canadian SSN equivalent. ?? Applicant may be using Employer Identification Number issued by IRS in place of a valid SSN. ?? Applicant may be using a minor's SSN. ?? Applicant may be using SSN to create a new identity. ?? Negative estimated age obtained may indicate misuse of an SSN.</p>	<p>?? Verify accuracy of operator input. ?? Compare Date of Birth on application to Estimated Age Obtained. <del>??</del> Check for negative number indicating an SSN was issued before date of birth <del>??</del> Check for recent year issued. May indicate use of minor's SSN or SSN issued late in life. ?? Verify other information on application. <del>??</del> Employment <del>??</del> Credit references from financial institutions or other creditors.</p>
<p>Address is a . . . Mail Receiving Service Hotel/Motel/Temporary Residence Credit Correction Service Camp Site Secretarial Service Restaurant/Bar/Nightclub Storage Facility Airport/Airfield Truck Stop Commercial</p>	<p>Address matches a list of commercial, non-residential addresses on the HAWK database.</p>	<p>?? Applicant may be in a temporary residence. ?? Applicant may be an employee or resident at commercial site. ?? Applicant may be misusing application information to create new identity or to obtain credit under another's legitimate identity.</p>	<p>?? Verify accuracy of operator input. ?? Verify address through other sources, e.g. White Pages, directory assistance, etc. ?? Verify other information on application. <del>??</del> Telephone number: Contact Applicant at telephone number. <del>??</del> Employment <del>??</del> Credit references from financial institutions or other creditors.</p>
<p>Address is a . . . Correctional Institution Hospital or Clinic Nursing Home Institution</p>	<p>Address matches a list of institutional, non-residential addresses on the HAWK database.</p>	<p>?? Applicant may be in a temporary residence or incarcerated. ?? Applicant may be an employee at a residential institution. ?? Applicant may be misusing application information to create new identity or to obtain credit under another's legitimate identity.</p>	<p>?? Verify accuracy of operator input. ?? Verify address through other sources, e.g. White Pages, directory assistance, etc. ?? Verify other information on application. <del>??</del> Telephone number: Contact Applicant at telephone number. <del>??</del> Employment <del>??</del> Credit references from financial institutions or other creditors.</p>
<p>Address is a . . . U.S. Post Office Governmental</p>	<p>Address matches a list of institutional, non-residential addresses on the HAWK database.</p>	<p>?? Applicant may be renting a P.O. Box. ?? Applicant may be in temporary residence or an employee at a governmental site. ?? Applicant may be misusing application information to create new identity or to obtain credit under another's legitimate identity.</p>	<p>?? Verify accuracy of operator input. ?? Verify address through other sources, e.g. White Pages, directory assistance, etc. ?? Verify other information on application. <del>??</del> Telephone number: Contact Applicant at telephone number. <del>??</del> Employment <del>??</del> Credit references from financial institutions or other creditors.</p>

HAWK messages serve as advisory tools only. Credit cannot be denied based on HAWK messages.

HAWK Message	What Does It Mean?	Why Was It Generated?	Suggested Actions
<p>Telephone Number is a(n) . . . . .</p> <p>Answering Service Cellular Telephone Public/Pay Telephone Commercial Institutional Governmental</p>	<p>Telephone Number matches a list of various non-residential telephone numbers on the HAWK database</p>	<p>?? Applicant may be in a temporary residence.</p> <p>?? Applicant may be misusing non-residential telephone number to create new identity or to obtain credit under another's legitimate identity.</p>	<p>?? Verify accuracy of operator input.</p> <p>?? Contact consumer using information on application.</p> <p>?? Verify telephone number through other sources, e.g. White Pages, directory assistance, etc.</p> <p>?? Verify other information on application.</p> <p>?? Employment</p> <p>?? Credit references from financial institutions or other creditors.</p>
<p>Address . . . . .</p> <p>SSN . . . . .</p> <p>Telephone Number . . . . .</p> <p>Reported Misused and Requires Further Investigation</p>	<p>Address/SSN/Telephone Number matches address or SSN or telephone number on HAWK file reported used in a potential or known fraud.</p>	<p>?? Applicant may be a victim of someone misusing his identity.</p> <p>?? Applicant may be misusing non-residential telephone number to create new identity or to obtain credit under another's legitimate identity.</p>	<p>?? Verify accuracy of operator input.</p> <p>?? Contact consumer using information on application.</p> <p>?? Verify telephone number through other sources, e.g. White Pages, directory assistance, etc.</p> <p>?? Verify other information on application.</p> <p>?? Employment</p> <p>?? Credit references from financial institutions or other creditors.</p>
<p>Address is a Multi-Unit Building Reported Misused and Requires Further Investigation</p>	<p>Address matches multi-unit building address, such as an apartment building address, on HAWK file reported used in a potential or known fraud.</p>	<p>?? Applicant may be a victim of someone misusing his identity.</p> <p>?? Applicant may be misusing non-residential telephone number to create new identity or to obtain credit under another's legitimate identity.</p>	<p>?? Verify accuracy of operator input.</p> <p>?? Contact consumer using information on application.</p> <p>?? Verify address through other sources, e.g. White Pages, directory assistance, etc.</p> <p>?? Verify other information on application.</p> <p>?? Employment</p> <p>?? Credit references from financial institutions or other creditors.</p>
<p>Address . . . . .</p> <p>SSN . . . . .</p> <p>Telephone Number . . . . .</p> <p>Reported as Suspicious</p>	<p>Address/SSN/Telephone Number matches an address, SSN or telephone number on the HAWK file that could not be verified when it was used on a previous application.</p>	<p>?? Applicant may be a victim of someone misusing his identity.</p> <p>?? Applicant may be misusing non-residential telephone number to create new identity or to obtain credit under another's legitimate identity.</p>	<p>?? Verify accuracy of operator input.</p> <p>?? Contact consumer using information on application.</p> <p>?? Verify address through other sources, e.g. White Pages, directory assistance, etc.</p> <p>?? Verify other information on application.</p> <p>?? Employment</p> <p>?? Credit references from financial institutions or other creditors.</p>
<p>Address is a Multi-Unit Building Reported as Suspicious</p>	<p>Address matches multi-unit building address on HAWK file, such as an apartment building address, that could not be verified when it was used on a previous application.</p>	<p>?? Applicant may be a victim of someone misusing his identity.</p> <p>?? Applicant may be misusing non-residential telephone number to create new identity or to obtain credit under another's legitimate identity.</p>	<p>?? Verify accuracy of operator input.</p> <p>?? Contact consumer using information on application.</p> <p>?? Verify address through other sources, e.g. White Pages, directory assistance, etc.</p> <p>?? Verify other information on application.</p> <p>?? Employment</p> <p>?? Credit references from financial institutions or other creditors.</p>

SSN is Reported Deceased	Social Security Number associated with deceased person.	?? Applicant may be using SSN to commit fraud under another person's identity or to create a new identity.	?? Verify accuracy of operator input. ?? Contact consumer using information on application. ?? Verify other information on application. <del>??</del> Employment <del>??</del> Credit references from financial institutions or other creditors.
Input Address has been Used # Times in the Last (30,60,90) Days	The address or SSN was used on Multiple Trans Union inquiries within the listed time frame.	?? Applicant may be applying for new credit ?? Members of the applicant's household may be applying for credit ?? Someone other than the applicant may be using the address/SSN to commit a fraud	?? Confirm recent credit activity with consumer ?? Look for discrepancies between the two messages: <del>??</del> If the address counter is larger than the SSN counter, verify if other members of the applicant's household have recently applied for credit. <del>??</del> If the SSN counter is larger than the address counter, contact applicant. Applicant may be a fraud victim. ?? Compare to Inquiry section of Credit Report <del>??</del> If all numbers are equal, applicant may be legitimately attempting to increase his/her amount of credit. <del>??</del> Look for inquiries which have not generated new tradelines
Address, SSN, or Telephone Number Reported by More Than One Source	More than one subscriber has previously reported at least one of the input or file elements as suspicious.	?? Applicant may have been the victim of an account takeover ?? A fraud perpetrator may have used some of the input or file information to fraudulently obtain credit ?? Applicant may be attempting to obtain credit fraudulently	?? Verify accuracy of operator input. ?? Evaluate other HAWK-ALERT messages; proceed with recommended action given under those messages.  Note: generally, this message will appear in conjunction with other HAWK-ALERT messages, and will provide a stronger indication of potential fraud.
Input Address(es), SSN, and/or Telephone Number Reported Together in Suspected Misuse	At least two of the input elements were used together previously in suspected or confirmed fraud.	?? Applicant may have been the victim of an account takeover ?? Applicant may be attempting to obtain credit fraudulently	?? Verify accuracy of operator input. ?? Contact applicant; attempt to determine if applicant has previously been a victim of fraud.
Address has been Reported More Than Once (up to 10 unit #s or POB #s can be appended to the message)	The address is a multi-unit building or a rural route, and the address has previously been reported to HAWK as questionable.	Same street address reported to HAWK with more than one apt. # or POB #.	?? Verify accuracy of operator input. ?? Contact consumer and verify information ?? Examine unit number / POB numbers appended to end of message, looking for possible fraud trends.
Input SSN Associated with Additional Subject(s) Not Displayed or Returned	The Trans Union database links the input SSN to more than one consumer's file.	?? Person other than applicant may have used this SSN improperly ?? Applicant may have intentionally used the SSN in fraudulent activity	?? Verify accuracy of operator input. ?? Are other HAWK messages provided? ?? Look for inconsistencies (e.g. SSN Used in Death Benefits Claim message will indicate the decedent's name) ?? Contact consumer and verify application information ?? Pull a Trans Union TRACE or TRACEplus report for a full list of all consumer linked to the SSN on the Trans Union database.

HAWK messages serve as advisory tools only. Credit cannot be denied based on HAWK messages.

HAWK Message	What Does It Mean?	Why Was It Generated?	Suggested Actions
Address . . . SSN . . . Telephone Number . . . Requires Further Investigation	Address/SSN/Telephone Number matches information on the HAWK database.	?? Applicant may be a victim of someone misusing his identity. ?? Applicant may be misusing application information to create new identity or to obtain credit under another's legitimate identity.	?? Verify accuracy of operator input. ?? Contact consumer using information on application. ?? Verify address through other sources, e.g. White Pages, directory assistance, etc. ?? Verify other information on application. <del>ES</del> Employment <del>ES</del> Credit references from financial institutions or other creditors.
Address is a Multi-Unit Building	Address matches address of multi-unit building, such as an apartment building address, on the HAWK database.	?? Applicant may be a victim of someone misusing his identity. ?? Applicant may be misusing application information to create new identity or to obtain credit under another's legitimate identity.	?? Verify accuracy of operator input. ?? Contact consumer using information on application. ?? Verify address through other sources, e.g. White Pages, directory assistance, etc. ?? Verify other information on application. <del>ES</del> Employment <del>ES</del> Credit references from financial institutions or other creditors.
SSN May Have Been Issued in Error	SSN may have been issued to more than one person. SSN may have been assigned to one region, but issued in another region.	?? Applicant may be misusing application information to create new identity or to obtain credit under another's legitimate identity.	?? Verify accuracy of operator input. ?? Contact consumer using information on application. ?? Verify address through other sources, e.g. White Pages, directory assistance, etc. ?? Verify other information on application. <del>ES</del> Employment <del>ES</del> Credit references from financial institutions or other creditors.
Clear for All Searches Performed	None of the processed HAWK searches generated an indication of potential fraud.		?? Continue processing the application.

HAWK messages serve as advisory tools only. Credit cannot be denied based on HAWK messages.

## Trans-Alert Messages

TRANS-ALERT Messages	Possible Explanations	Suggested Actions
TRANS-ALERT: (#) inquiries in last 60 days not match file address(es)	<b>Legitimate:</b> ??? Applicant's lifestyle change prompted need for multiple accounts <b>To Be Verified:</b> ??? Applicant used "shotgun" approach to obtain as much credit as possible	?? Verify accuracy of operator input. ?? Contact applicant to review need and ability to pay
TRANS-ALERT: Current input address does not match file address(es)	<b>Legitimate:</b> ??? Operator data entry error ??? Applicant has recently moved to a new address <b>To Be Verified:</b> ??? Applicant used another's identity	?? Verify accuracy of operator input. ?? Contact applicant to review information
TRANS-ALERT: Input surname does not match file surname	<b>Legitimate:</b> ?? Maiden name <b>To Be verified:</b> ?? Subject uses AKAs	?? Verify accuracy of operator input. ?? Contact applicant to review last name information
TRANS-ALERT: Input subject SSN does not match file SSN	<b>Legitimate:</b> ??? Operator data entry error <b>To Be Verified:</b> ??? Applicant used a fictitious SSN	?? Verify accuracy of operator input. ?? Contact applicant to review Social Security information
TRANS-ALERT: Input spouse SSN does not match file SSN	<b>Legitimate:</b> ??? Operator data entry error <b>To Be Verified:</b> ??? Applicant used a fictitious SSN	?? Verify accuracy of operator input. ?? Contact applicant to review Social Security information
TRANS-ALERT: Current input zip code invalid	<b>Legitimate:</b> ??? Operator data entry error <b>To Be Verified:</b> ??? Applicant used an incorrect or fictitious zip code	?? Verify accuracy of operator input. ?? Contact applicant to review zip code information
TRANS-ALERT: Previous input zip code invalid	<b>Legitimate:</b> ??? Operator data entry error <b>To Be Verified:</b> ??? Applicant used an incorrect or fictitious zip code	?? Verify accuracy of operator input. ?? Contact applicant to review zip code information

## *Additional Resources*

[www.interthinx.com](http://www.interthinx.com)

[www.corelogic.com](http://www.corelogic.com)

[www.experian.com](http://www.experian.com)

[www.IPSvaluations.com](http://www.IPSvaluations.com)

[www.tenaco.com](http://www.tenaco.com)

[www.searchsystems.net](http://www.searchsystems.net)

[www.mortgagefraudblog.com](http://www.mortgagefraudblog.com)

[www.mortgagefraud.squarespace.com](http://www.mortgagefraud.squarespace.com)

[www.adfitech.com](http://www.adfitech.com)

[www.appintell.com](http://www.appintell.com)

[www.searchbug.net](http://www.searchbug.net)

[www.fraud.org](http://www.fraud.org)

[www.ssa.gov](http://www.ssa.gov)

[www.mbaa.org](http://www.mbaa.org)

[www.fbi.gov](http://www.fbi.gov)

Note: Essent does not endorse any of these websites, services or databases.