

September 29, 2025

Industry Fraud Risk – Best Practices in Residential Mortgage Lending

Sean Sowards, Fannie Mae
Tony Consaga, Freddie Mac
Matt Seguin, Cotality
Todd Krell, CrossCheck Compliance

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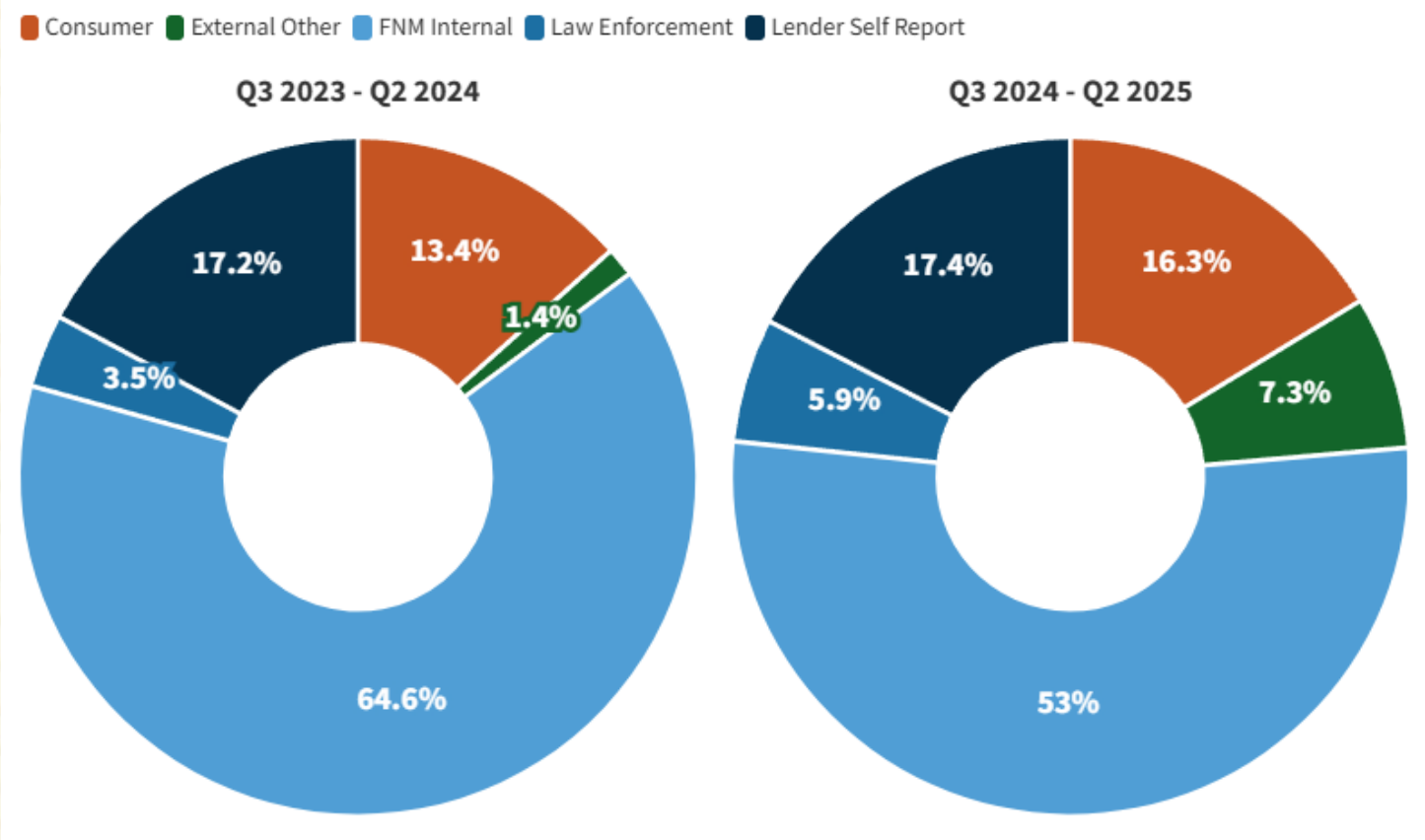


Fannie Mae

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Fannie Mae Identified Tips Comprise the Majority of Recent Fraud Tips

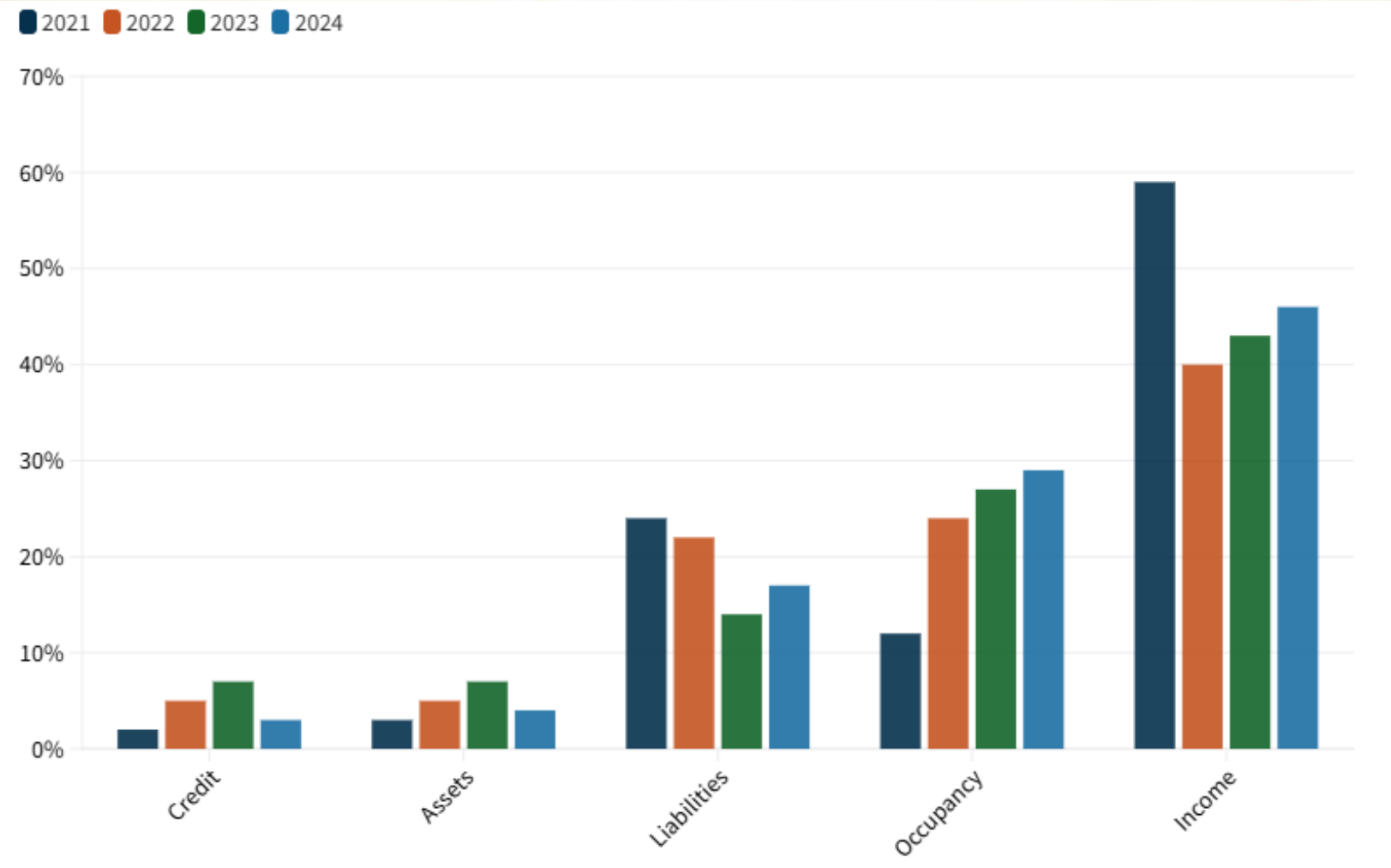
Fraud tips received (rolling 12-month comparison)



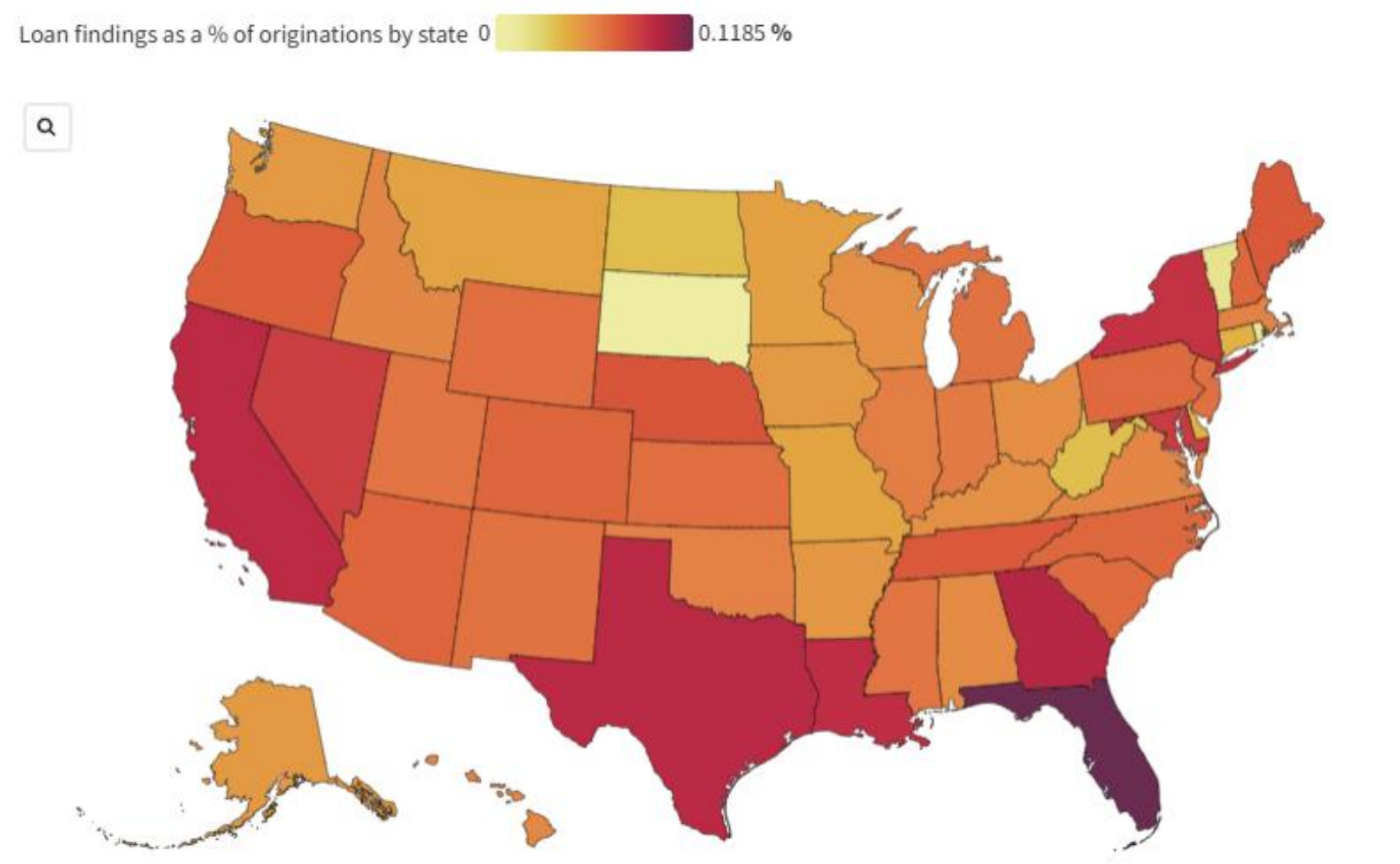
Values shown in the chart indicate the percentage share of tips received.

Income Continues to be the Most Prevalent Finding

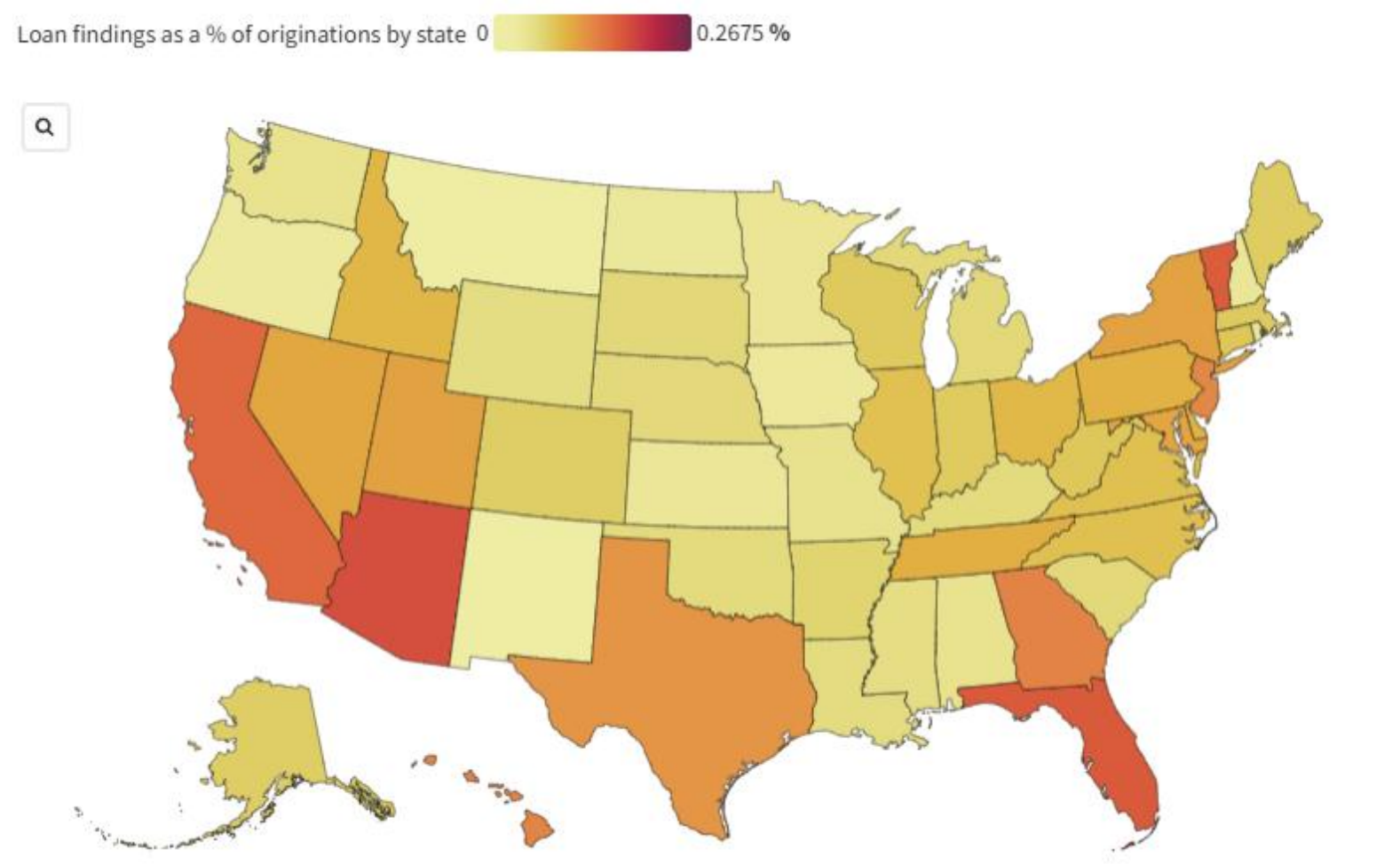
Percentage based on loans with mortgage fraud investigative findings 2021 – Q2 2025



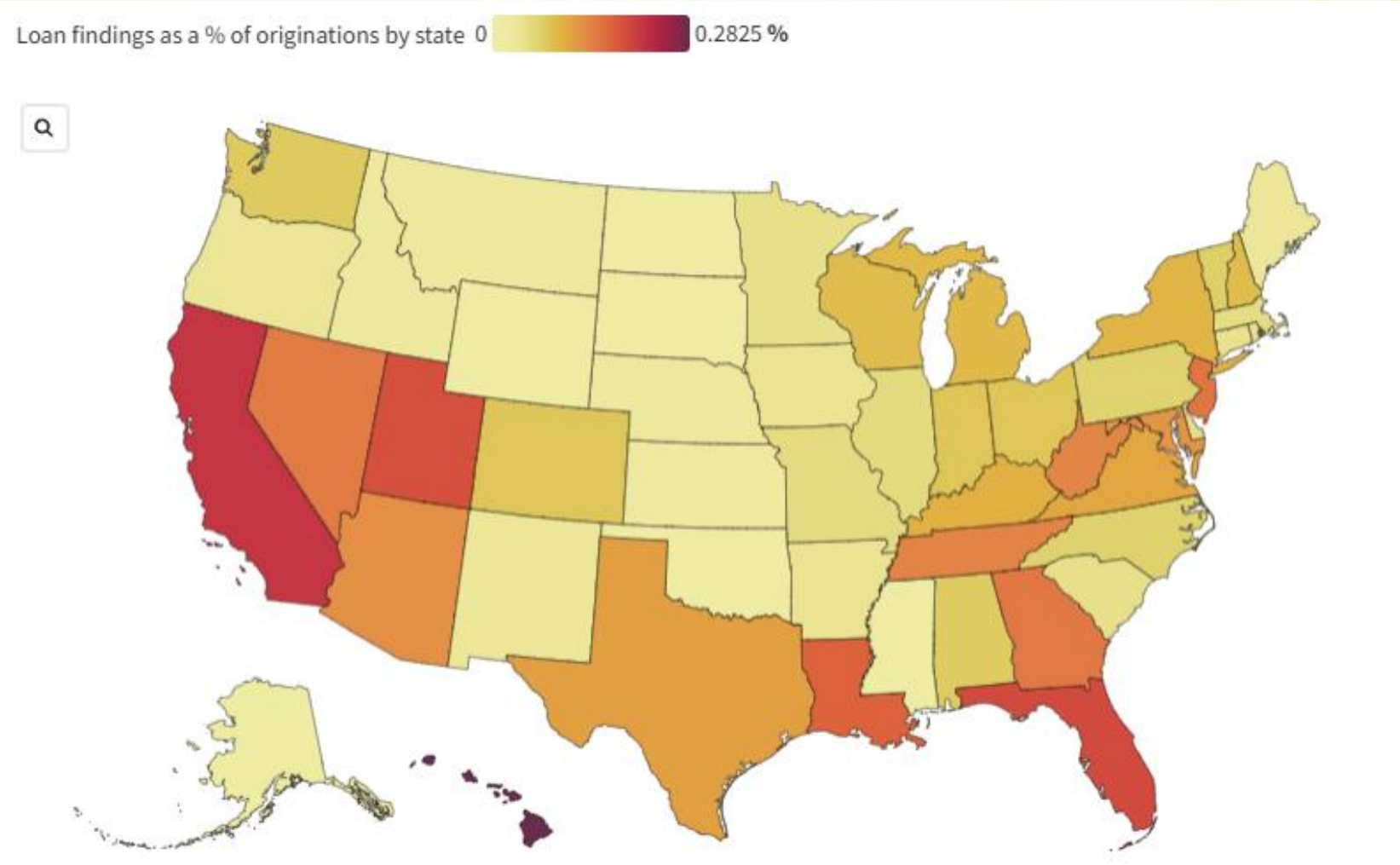
Loans with Findings as % of Originations: 2021



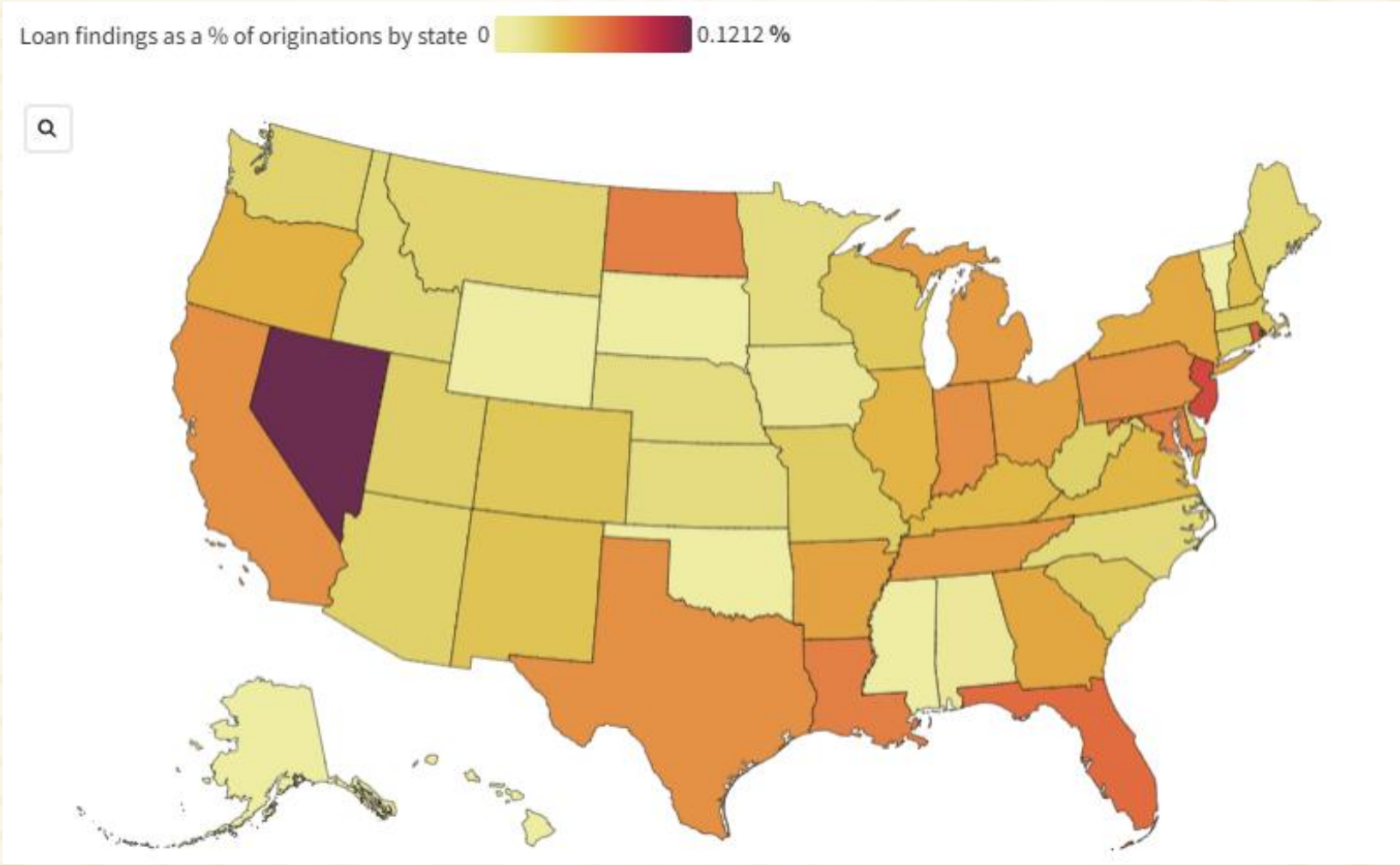
Loans with Findings as % of Originations: 2022



Loans with Findings as % of Originations: 2023

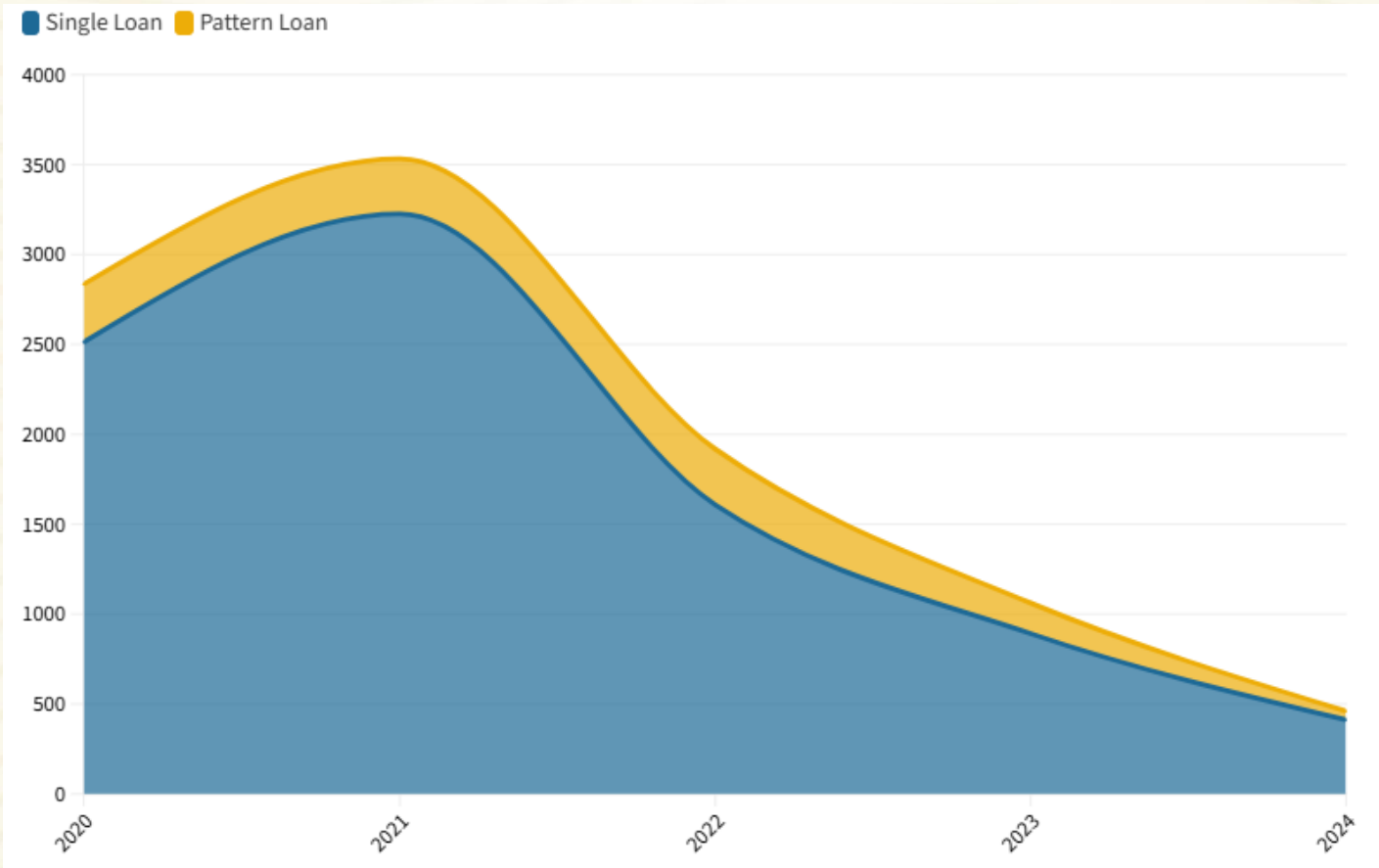


Loans with Findings as % of Originations: 2024



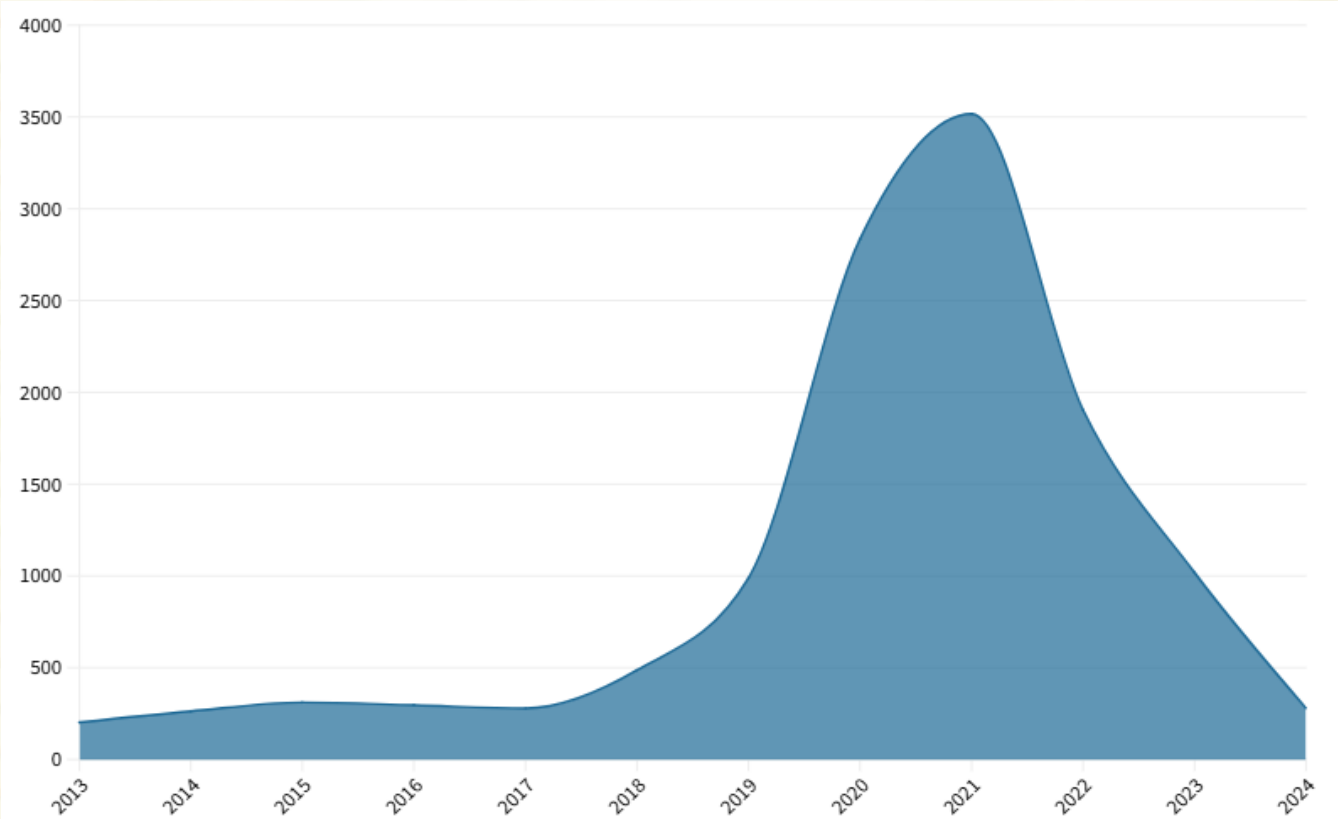
Loans with Findings Identified by Origination Year

Loans with mortgage fraud investigative findings 2020 – Q2 2025



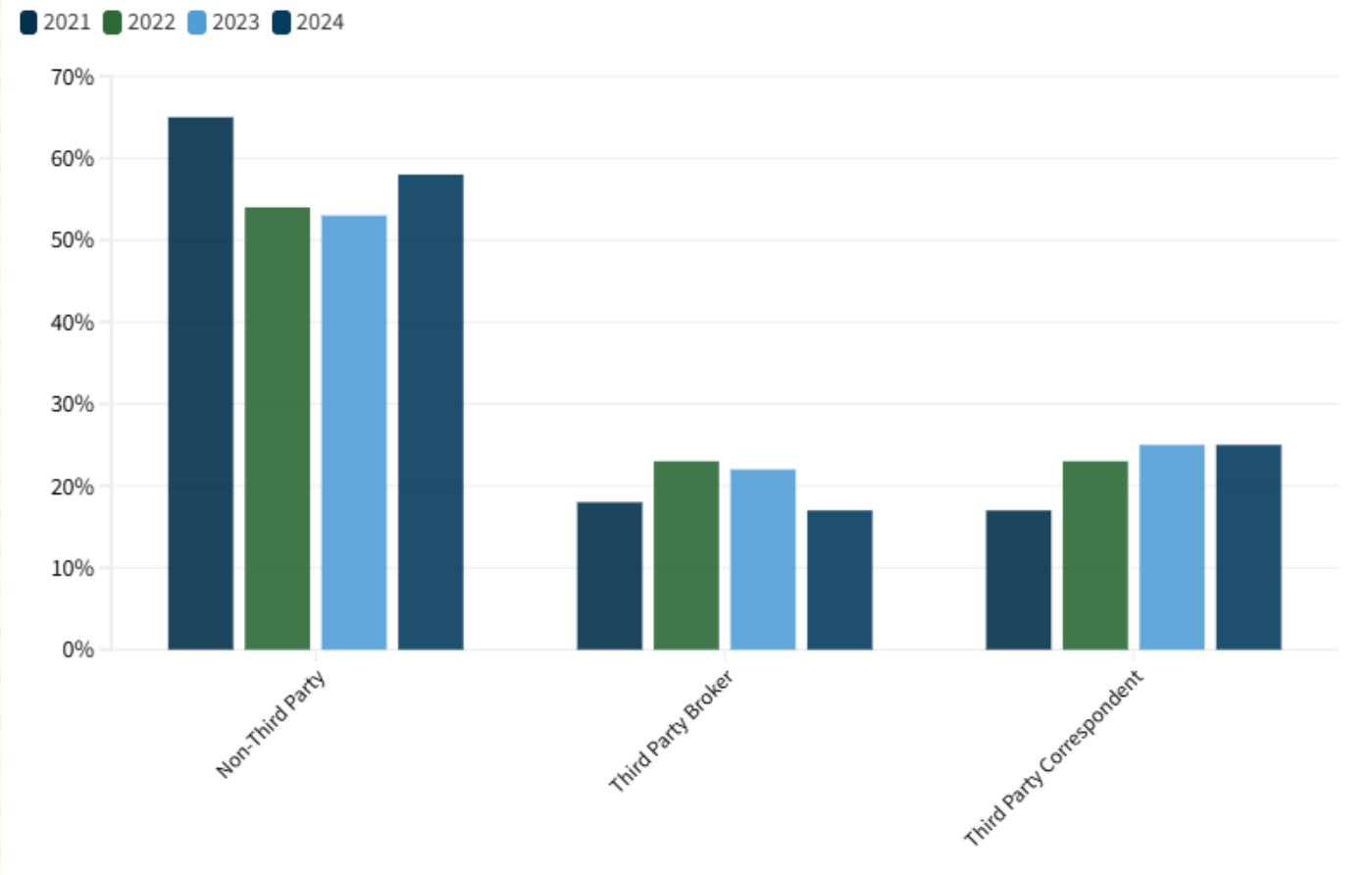
Loans with Findings Identified by Origination Year

Loans with mortgage fraud investigative findings 2013 – Q2 2025

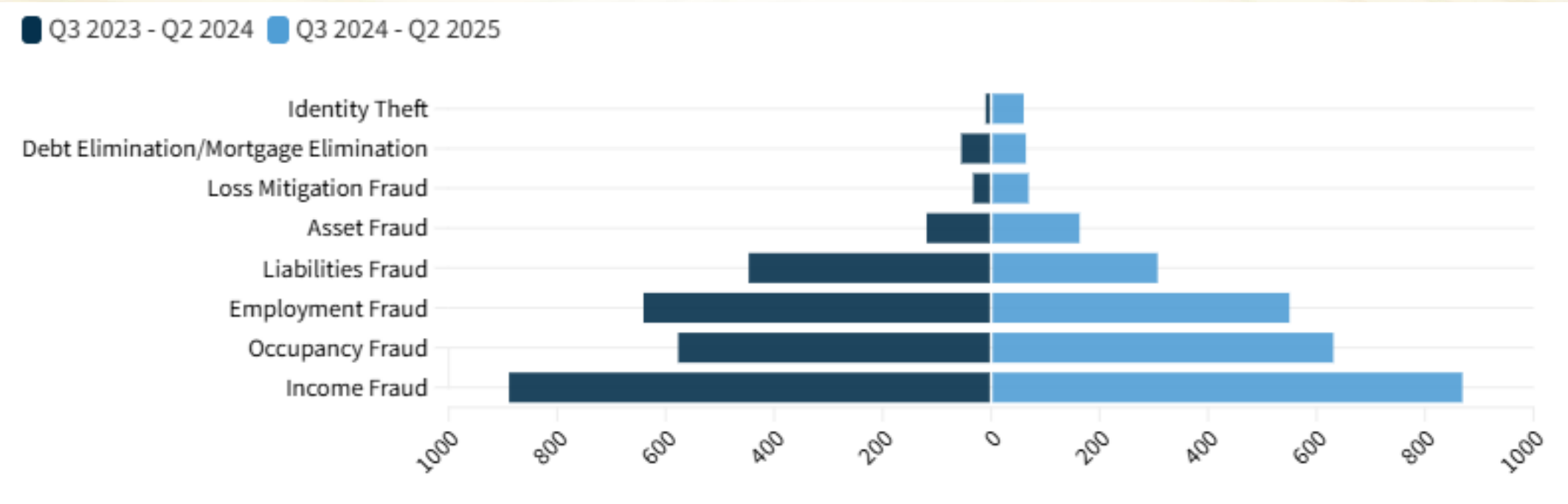


Non-Third Party Loans Continue to Comprise the Majority of Findings

Percentage based on loans with mortgage fraud investigative findings 2021 – Q2 2025



Fraud Characteristics



Based on Investigations
closed Q3 2023 – Q2 2025



Freddie Mac Single-Family Financial Crimes

September 2025

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Single-Family Financial Crimes

The Single-Family Financial Crimes and Fraud Unit is responsible for prevention, detection and deterrence of mortgage fraud or potential fraud

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Single-Family Financial Crimes

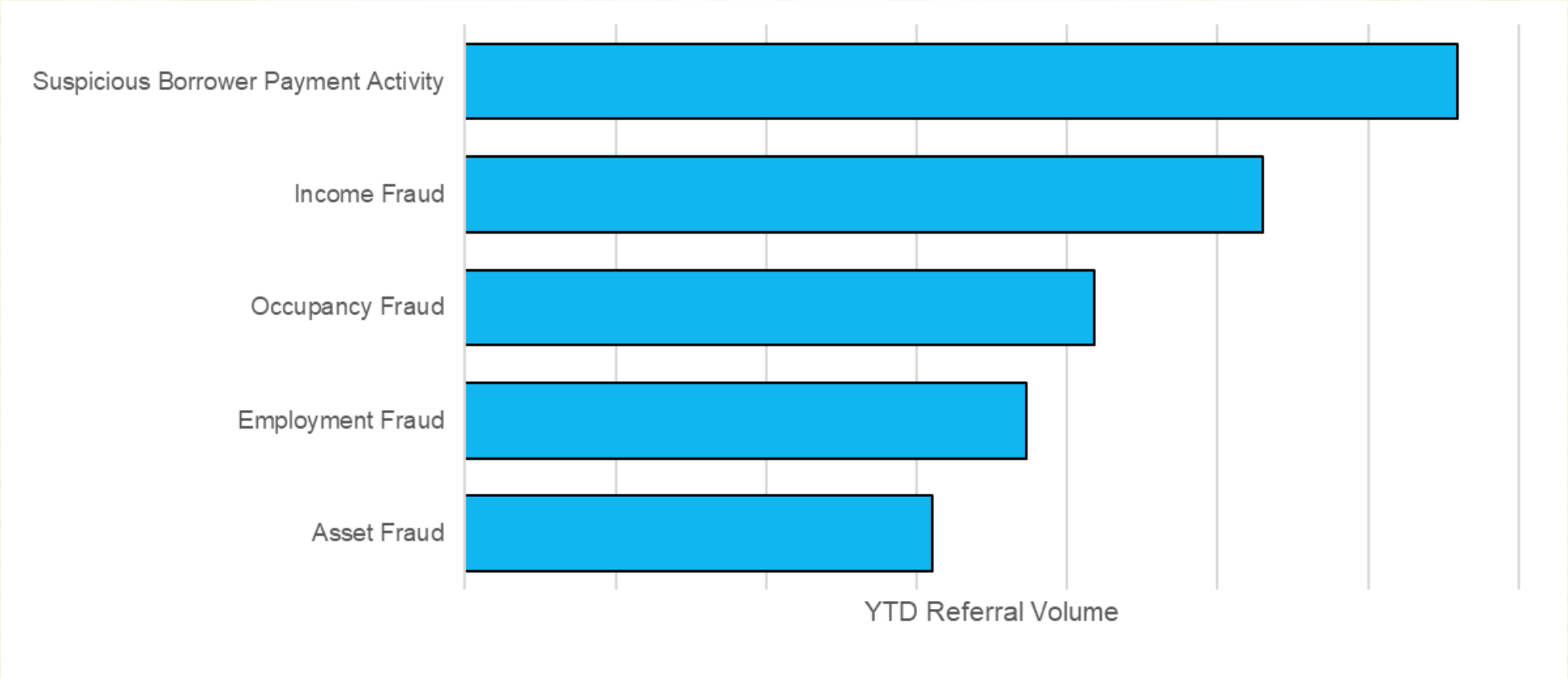
The Single-Family Financial Crimes and Fraud Unit is responsible for prevention, detection and deterrence of mortgage fraud or potential fraud

Our program consists of the following:

- We leverage a delegated model for fraud risk management.
- Seller/Servicer compliance expectations are established through the Single-Family Seller/Servicer Guide.
- Requirements include fraud controls, underwriting standards, escalation protocols and financial crimes reporting obligations.
- Our internal investigative functions are responsible for reviewing potential misconduct or potentially suspicious activity.
- Investigations may originate from internal detection or through Seller/Servicer referrals via the Tip Referral Tool (TRTSM), that was made available end of 2024.
- We conduct risk-based reviews of Seller/Servicers, assessing adherence to Financial Crimes Program standards.

Fraud Referral Themes

Themes that emerge as top fraud types, based on the tips we receive are as follows:



Fraud Examples

Income:

1. Borrower submitted W-2 and was previously self-employed or 1099.
2. Borrower income shows significant increase related to amount needed to qualify for loan.
3. Borrower business records show business started recently and is not active.
4. There are multiple loans from one loan officer with pattern of income/employment discrepancies.

Occupancy:

1. Borrower is applying for multiple owner-occupied loans.
2. Borrower is applying for owner-occupied and owns multiple investment properties.

Asset:

1. Borrower received large gift funds from sources outside of immediate family.
2. Borrower bank statements use inconsistent fonts.
3. Different borrowers have same bank statement account number.

Next Steps/Opportunities

1. Address Seller pain point with respect to use of the Freddie Mac Exclusionary List.
 - Provide pre-delivery warning flags for E-List hits to Seller.
 - Implement post-delivery screening against E-List.
2. Established industry touchpoints through regularly scheduled meetings with counterparties to stay abreast of fraud trends and opportunities.
3. Continue to support an increase in incoming referrals via the automated tip portal to identify suspicious activity.
4. Continue to strengthen the Single-Family Seller/Servicer Guide requirements.



Cotality

September 2025

**MBA's COMPLIANCE AND RISK
MANAGEMENT CONFERENCE**



#MBAComplianceRisk25

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Data in Context

Applications

Loans

Quality Control

Investigation

Findings

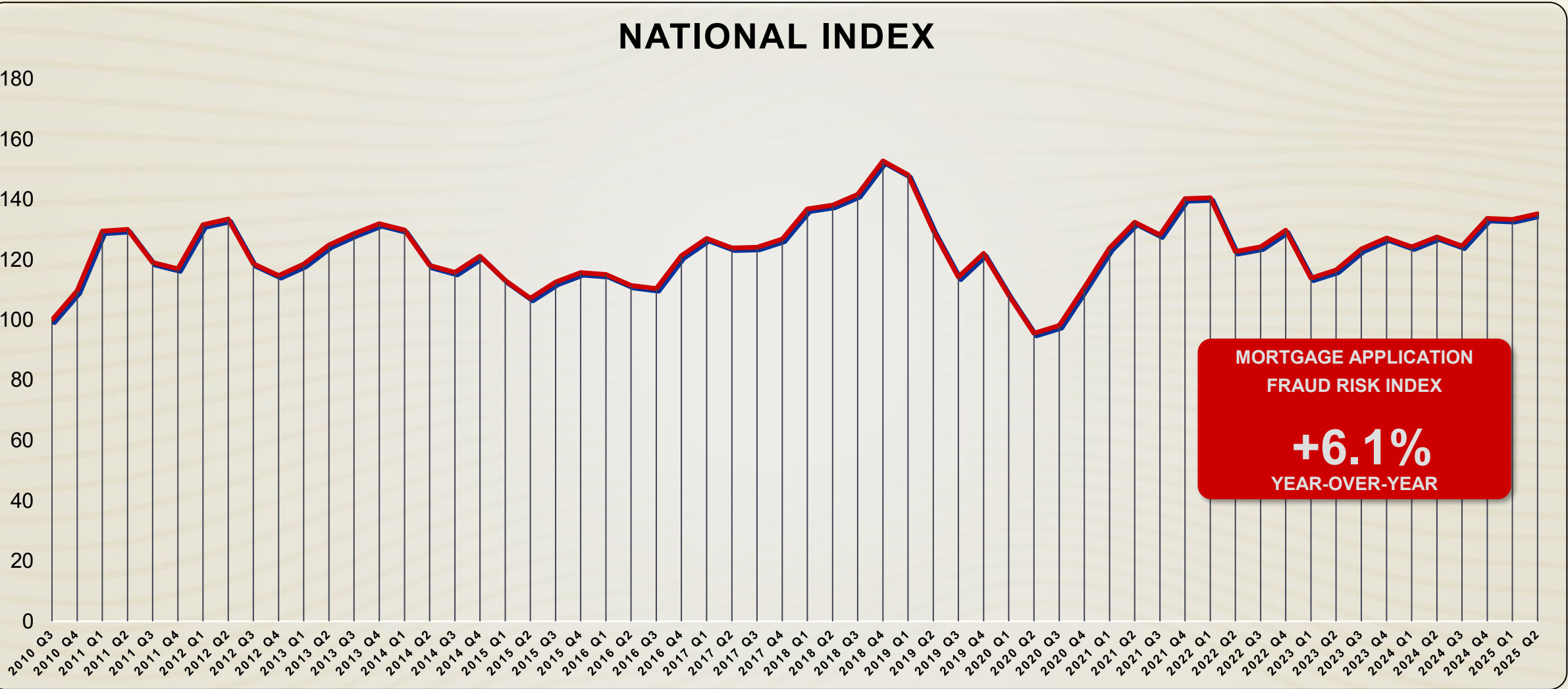
Cotality™

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National Mortgage Fraud Index

Source: Cotality



Cotality Mortgage Fraud **Estimated Occurrence**

0.86% of all loan applications

Purchase : **1 in 106**

Refinance : **1 in 142**

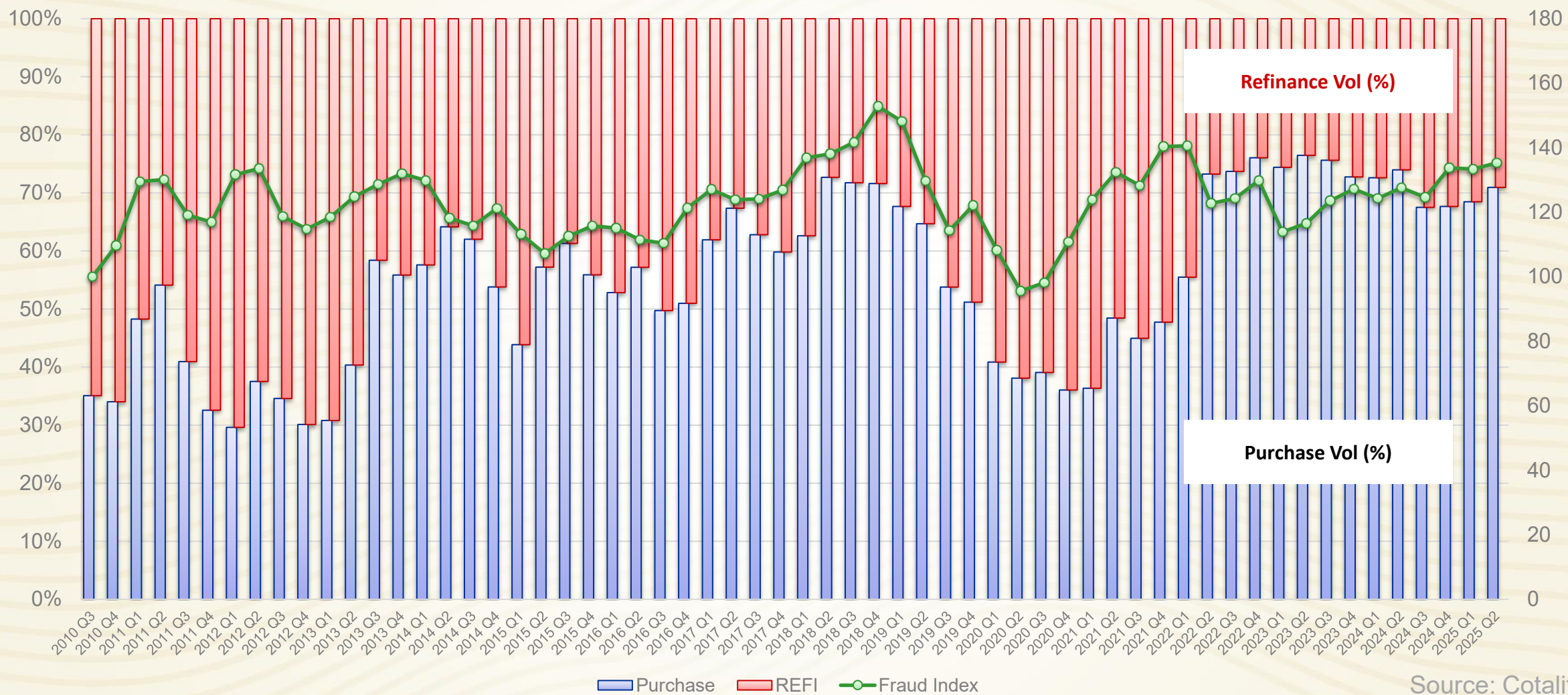
2- to 4-unit : **1 in 27**

1 in 116

Mortgage Applications Estimated To Have Indications
Of Fraud In Q2 2025

Source: Cotality

Purchase and Refinance Split



Source: Cotality

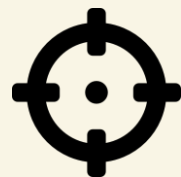
Top **States** for Fraud

1. New York – up 11.5%
2. Rhode Island-up 23.5%
3. Florida – up 16%
4. California – down <1%
5. Connecticut – down 3.1%



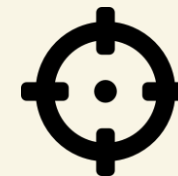
Source: Cotality

Increasing Risk



**Undisclosed
RE Debt**

+12% YoY



**Transaction
Fraud Risk**

+6.2% YoY

Source: Cotality

Decreasing Risk



Occupancy

-0.9% YoY



Register for a Detailed **Demo:**

Cotality.com/LoanSafe





CrossCheck Compliance LLC

September 2025

Recent Finding – Employment/Income

Goal: Overcome documentation requirements

- Borrower was allegedly a wage earner
- Borrower was 50% owner of the company
- Verification was confirmed by an online provider

Goal: Overcome affordability issues

- Borrower recently changed jobs with significant increase in pay
- Borrower's 401k statement was from a different employer and reflected current contributions

Source: CrossCheck Compliance LLC

Recent Finding – Employment/Income

Goal: Overcome affordability issues

- Borrower was allegedly working full time at four employers
- Recent pay cycle reflected that the borrower worked 312 hours in a two-week period (almost every hour of the day)
- All verifications were confirmed by an online provider.
- Implications
 - Borrower not allowed to hold other employment
 - Borrower not performing the actual work
 - Longevity

Source: CrossCheck Compliance LLC

Recent Finding - Occupancy

Goal: Build an investment property portfolio

- Borrower closed multiple transactions in less than a 12-month period, all primary residence transactions
- Borrower went the “extra mile” each transaction
- Prior to closing
 - Scrutiny of documents and scenario, borrower education
 - Online searches
- Post-closing
 - Inspection, public records

Source: CrossCheck Compliance LLC

Red Flags



Income/Employment

- Inflated income
- Recent job change with significant increase in salary

**Inflated assets /
portfolio does
not make sense**



Occupancy

- Investment transaction but renting
- Distance to employer
- Multiple transactions

**Falsified/alterd
documents**



Source: CrossCheck Compliance LLC

Polices and Procedures - Know Your Customer

Confirming the Borrower

- Deepfakes – AI generated images, voice and videos
- Multi-factor authentication
- AI programs
- Collaboration with other departments
- More robust escalation procedures

Source: CrossCheck Compliance LLC

Polices and Procedures – How to Identify

Prior to Closing

- Analytics to drive prefunding selections
- AI-powered analysis tools
- Google, LinkedIn, Social Media
- MERS, Fraud Reports
- Airbnb, VRBO

Source: CrossCheck Compliance LLC

Polices and Procedures – How to Identify (continued)

Prior to Closing

- Red flags training and collaboration
- Verbal verifications
- Tax Transcripts
- Confirm donors
- Educate your borrower
- Third-party review firm

Source: CrossCheck Compliance LLC