

Signs of Mortgage Fraud

The Federal Bureau of Investigation reports that pending mortgage fraud cases increased by 47 percent between 2003 and the second quarter of 2005. The Federal Financial Institutions Examination Council of Arlington, Va., suggests these red flags as indicators that fraud may be taking place.

- Cash is paid to the seller outside of the escrow arrangement.
- Cash is paid to the borrower in a purchase transaction.
- No money is due from the buyer at closing.
- A difference exists between the price on the HUD-1 form and the price on the sales contract.
- Related parties are involved in the transaction.
- The buyer must use a specific lender.
- Funds are paid to undisclosed third parties, indicating that there may be potential obligations.
- The sales price is "changed" to fit the appraisal.
- The sale is subject to the seller acquiring title.
- The loan is based on a buyer's "stated income" instead of a documented source.

Source: REALTOR.org/realtormag.