



Foundations On-Demand

Fraud Red Flags
Quiz

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Fraud On-Demand FRAUD RED FLAGS

Fraud Red Flags - Quiz

Introduction To Fraud Red Flags

1. What are red flags?
2. Do red flags always mean fraud?
3. What types of documents can fraud be found in?
4. What are a few of the more common red flags you might see?

Loan Application, Social Security Number & Credit Documents

5. When reviewing the loan application, what are some potential red flag areas?
6. Name the three sections of a Social Security Number
7. Is this a valid SSN? 923-00-0000
Yes or No? WHY?
8. When did Area numbers >772 or >800 become valid
9. What are the primary attributes of a credit report?
10. What are some red flag areas found within the Credit Report?

Income and Tax Documents

11. What are a few common red flag areas in income docs?
12. What does the FICA consist of?
13. What are the Social Security and Medicare deductions?
14. Does Social Security have a cap on the deductions?
15. What other taxes or deductions could be a potential red flag?



Answer Me!

Asset Documents

16. Name a few red flags found within asset documents.
17. What red flags might appear on a Verification of Deposit?
18. Why is it important to obtain all pages of the asset statement?

Appraisals

19. What are some red flags might you find in the photos within the appraisal?
20. What are some red flags you might find on the comparable page?

Closing Documentation

21. True or False: Once a loan closes the review for red flags stops?
22. What are two significant red flags found within the Closing Disclosure?



Foundations On-Demand

Fraud Red Flags
Answer Key

Fraud On-Demand FRAUD RED FLAGS

Introduction To Fraud Red Flags

1. What are red flags?

Irregularities and inconsistencies found in a loan file that are not common to most situations.

2. Do red flags always mean fraud?

No! But you should research as needed and treat each red flag in a case by case view.

3. What types of documents can fraud be found in?

Any document! Income, assets, credit, appraisals, closing, etc...

4. What are a few of the more common red flags you might see?

Signature issues, Social Security Inconsistencies, Typos, Handwritten Edits, etc...

Loan Application, Social Security Number & Credit Documents

5. When reviewing the loan application, what are some potential red flag areas?

Really, all areas can have red flags. But pay close attention to some numbers like the SSN, Education and type of job, and years on job with the borrower's age.

6. Name the 3 sections of a Social Security Number

xxx = Area Number; xx = Group Number; xxxx = Serial Number

7. Is this a valid SSN? 923-00-0000 Yes or No? WHY?

No! Can never begin with a "9", "00" is not a valid Group number and 0000 is not a valid Serial Number.

8. When did Area numbers >772 or >800 become valid Social Security Numbers?

June 20th, 2011

9. What are the primary attributes of a credit report?

Borrower's name, Social Security Number and Address



Answer Key!

10. What are some red flag areas found within the Credit Report?

Social Security variations are always red flags; length of credit connected with the borrower's age; excessive credit inquiries; Conflicting address or employment

Income and Tax Documents

11. What are a few common red flag areas in income docs?

Rounded Numbers, VOE signed by someone other than Payroll or HR, EIN, Basic math errors or inconsistencies, SSN inconsistencies

12. What does the FICA consist of?

Social Security and Medicare deductions

13. What are the Social Security and Medicare deductions?

Social Security: 6.2% and Medicare: 1.45%

14. Does Social Security have a cap on the deductions? Yes!

Each year the IRS provides a limit to the amount someone can be taxed for Soc Sec. In 2017 it is \$127,200 with a max deduction of \$8,700.

15. What other taxes/ deductions are potential red flags?

State specific taxes like disability or city specific deductions like City Wage taxes

Fraud On-Demand FRAUD RED FLAGS

Asset Documents

16. Name a few red flags found within asset documents.

Income level does not support assets; balances do not match from one statement to the next; overdraft charges; Fees being charged on high balances, etc...

17. What red flags might appear on a Verification of Deposit?

Someone on the account that might not be on loan; current balance is not supported by last 2 months average balance; the account was recently opened

18. Why is it important to obtain all pages of the asset statement?

Not only is it basic mortgage guidelines in most cases, but you never know what information you might find on some pages. You may find that “fee” explained in more

Appraisals

19. What are some red flags might you find in the photos within the appraisal?

A For Sale sign on a refi; photos show a ranch but the home is described as a 2-story; home listed “as is” but shows significant physical depreciation and concerns; no comments on proximity to major roadway or railroad tracks, etc...

20. What are some red flags you might on the comparable page?

Excessive adjustments; across the board (aka one-way) adjustments; comps not in the same neighborhood; old comp sales



Answer Key!

Closing Documentation

21. True or False. Once a loan closes the review for red flags stops?

False! Many companies have post-closing teams that will review the documents to ensure there are no issues. Just because the loan closes, does not mean the reviews stop.

22. What are two significant red flags found within the Closing Disclosure?

- 1) Sales prices differs from the purchase contract;
- 2) Unusual payouts or disbursements to people unrelated to the transaction