



Misrepresentation of Borrower Employment Scheme

Fannie Mae's Mortgage Fraud Program (MFP) alerts the industry to potential and active mortgage fraud scenarios. This is an update to the Fannie Mae Fraud Alert "Misrepresentation of Borrower Employment" originally posted on May 24, 2018.

Where?

Southern California, Los Angeles County

Loan common denominators / characteristics

Fannie Mae's Mortgage Fraud Program has identified several entities listed on loan applications as places of employment that appear to be fictitious. The following list of employers contains 40 entities / businesses that were listed as the borrower's purported place(s) of employment but whose existence Fannie Mae could not confirm. This list is as of Oct. 16, 2018, and is subject to change (*entries added Oct. 16, 2018):



A1 Data Programming	E Dalewood St	West Covina	CA
AMR Global Research	Bradley Rd.	Sun City	CA
Axis Programming	Science Dr.	Moorpark	CA
BA Transport	McDivitt Drive	Bakersfield	CA
Bella Donna Academy	Topanga Canyon Blvd	Chatsworth	CA
Bridge Worldwide Financial	Agoura Road	Calabasas	CA
BTR International*	S. Olive	Los Angeles	CA
Buenaventura Construction Group	Westinghouse Pl.	Reseda	CA
Building Blocks Learning Center*	Calabasas Rd.	Calabasas	CA
Calimex Distributors	Laurel Canyon Blvd	Sun Valley	CA
Camarillo Home Healthcare	Sherman Way	Reseda	CA
Cayton Systems	Ventura Blvd	Encino	CA
Civa Home Solutions	Ventura Blvd	Encino	CA
Coast One Financial Group	Ventura Blvd	Encino	CA
Concord Concrete	Parthenia St	Northridge	CA
Core Natural Beauty Products	Constellation Rd	Valencia	CA
Dataplus Communications	Eton Avenue	Chatsworth	CA
Digital Media Consultants	N. Santa Anita Ave	Arcadia	CA
Digicox Printing Material*	Sherman Way	North Hollywood	CA
Direct Choice Financial	N. Sepulveda Blvd	El Segundo	CA
Elite Restaurant Management	Colorado Blvd	Los Angeles	CA
Emtron Software Developers	Science Dr	Moorpark	CA
EZ Maintenance	Owensmouth Ave	Granada Hills	CA
Green Energy Development	Sherman Way	Reseda	CA
Jana Collins Cosmetics	Comanche Ave	Chatsworth	CA



LA Best Restaurant Group	Lurline Avenue	Chatsworth	CA
Master & Media	Riverside Dr	North Hollywood	CA
Med Plus Medical Billing Services	Green Valley Circle	Culver City	CA
OC Media Developers	Main Street	Irvine	CA
Ocean Trade Imports and Exports	W Ocean Blvd	Long Beach	CA
Ontic Global	N. Brand Blvd	Glendale	CA
Pacific Logistics International	S. Eastern Ave	Commerce	CA
Power Pack Consultants	Wilshire Blvd	Los Angeles	CA
Prime Medical Group	La Venta Rd	Westlake Village	CA
Sentryx Media & Motion Pictures	Eton Avenue	Chatsworth	CA
Shield Technologies	W. Olive Avenue	Burbank	CA
Tech Direct	Mason Avenue	Chatsworth	CA
USA Extended Auto Care	Ventura Blvd	Encino	CA
Volt Temp Distributors*	Gladys Avenue	Los Angeles	CA
Western Law Group*	W. Glenoaks Blvd	Glendale	CA

Red flags

- TPO / broker loans
- Originated 2015–2018 (present)
- Employment (occupation) does not “sensibly” coincide with borrower’s profile (age or experience)
- L.A. County, CA (geographic common denominator)
- Borrower on current job for short period of time
- Prior borrower employment shows “Student”
- Starting salary appears high
- Purported employer does not exist
- Employer’s purported location cannot be ascertained
- Paystub templates are similar for various employers across other (involved) loan files
- Paystubs sometimes lack typical withholdings (health, medical, 401(k), etc.)
- Gift letters are substantial and are not (or cannot be) supported through re-verification

For examples of red flags, please see the exhibits beginning on page 4.

What can lenders do?

Prudent origination, processing, and underwriting practices should include looking for red flags in the loan documents that raise questions about the transaction. Verify that the borrower’s place of employment actually exists and obtain supporting documentation. If one of these entities is disclosed as the borrower’s place of employment, exercise due diligence in reviewing the entire loan file. Lenders must exercise caution in these situations and take appropriate steps to prevent the institution from being the victim of fraud.

If suspicion of fraud exists

- Follow established policies and procedures within your organization and the *Fannie Mae Selling Guide*.



- Follow the “Report Mortgage Fraud” instructions on the [Mortgage Fraud Prevention web page](#).

More general steps lenders can take to detect and prevent fraud

- Know your third-party originators/brokers.
- Be “fraud smart” by educating your staff.
- Establish a zero tolerance fraud policy.
- Share information.
- If the loan doesn’t make sense, don’t do it!
- Report any suspicious activity through established channels.

Watch for further “Fraud Alerts” and potential updates to this fraud ring by monitoring the [Mortgage Fraud Prevention web page](#).

See Red Flag exhibits on next page.



Misrepresentation of Borrower Employment Scheme: Exhibits

The following exhibits provide examples of red flags that may indicate fraudulent documentation.

Exhibit A: Non-sequential Employment Timeline

Note on the below employment documentation:

- Employer and place of employment **do not exist** (section IV).
- Prior employment is listed as **student** (section IV).
- Employment timeline **does not make sense** (section IV).
- Income does not align with time on job (section V).

Borrower		IV. EMPLOYMENT INFORMATION		Co-Borrower	
Name & Address of Employer	<input type="checkbox"/> Self Employed	Yrs. on this job 10 yr(s)	Name & Address of Employer	<input type="checkbox"/> Self Employed	Yrs. on this job 0 yr(s) 3 mth(s)
1 CENTRAL AVE GLENDALE, CA 91203		Yrs. employed in this line of work/profession 10	LA VENTA RD SUITE WESTLAKE VILLAGE, CA 91361		Yrs. employed in this line of work/profession 3
Position/Title/Type of Business MEDICAL ASSISTANT/MANAGER	Business Phone (incl. area code) -0008		Position/Title/Type of Business SONOGRAPHER	Business Phone (incl. area code) -2910	
If employed in current position for less than two years or if currently employed in more than one position, complete the following:					
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 \$	LANKERSHIM BLVD N Hollywood, CA 91601		02/01/2015 - 09/25/2017 Monthly Income \$
Position/Title/Type of Business	Business Phone (incl. area code)		Position/Title/Type of Business	Business Phone (incl. area code)	
			STUDENT	-9999	


V. MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION						
Gross Monthly Income	Borrower	Co-Borrower	Total	Combined Monthly Housing Expense	Present	Proposed
Base Empl. Income*	\$ 1,672.00	\$ 8,978.00	\$ 10,650.00	Rent	\$ 2,115.57	
Overtime				First Mortgage (P&I)		\$ 3,248.85
Bonuses				Other Financing (P&I)		
Commissions				Hazard Insurance		80.00
Dividends/Interest				Real Estate Taxes		739.58
Net Rental Income	23.00		23.00	Mortgage Insurance		315.95
Other (before completing, see the notice in "describe other income," below)				Homeowner Assn. Dues		
				Other:		
Total	\$ 1,695.00	\$ 8,978.00	\$ 10,673.00	Total	\$ 2,115.57	\$ 4,384.38




Exhibit B: Generic Paystubs

Note on the below employment documentation:

- Paystubs are generic.
- Paystubs are inconsistent with those from other loan files for the **same employer**.

 • Westlake Village, CA 91361

NAME		ASSOCIATE NUMBER	SOC. SEC. NO.	PERIOD	DEPT	CHECK NUMBER		
ANNA		140112	XXX XX	19	0001A	00525339		
						PERIOD BEGIN		
						08/26/16		
						PERIOD ENDING		
						09/08/16		
TOTAL HOURS		GROSS PAY	TOTAL TAXES	DEDUCTIONS	NET PAY			
SALARY		3600.00	802.63	117.00	2,680.37			
EARNING TYPE	HOURS	RATE	CURRENT	YEAR TO DATE	M/S DEP	TAXES & DEDUCTIONS	CURRENT PERIOD	YEAR TO DATE
SALARY			3600.00	61200.00	M 2	FED INC TX	390.72	6642.24
					0	FICA-OASDI	215.95	3671.15
					0	FICA-MED	50.50	858.50
					M 2	CA STATE	113.06	1922.02
					0	CA DISABIL	32.40	550.80
						HEALTH INS	66.60	1132.20
						DENTAL INS	34.20	581.40
						VISION	16.20	275.40

 Medical Withholdings

 Westlake Village, CA 91361

CHECK NUMBER	CHECK DATE
00525339	09/16/16
NET PAY	
2680.37	



CHECK NUMBER

00551068

PERIOD BEGIN

10/16/17

Westlake Village, CA 91361

PERIOD ENDING

10/31/17

NAME		ASSOCIATE NUMBER		SOC SEC NO		PERIOD	DEPT	PERIOD ENDING	
ARTHUR		178447		XXX XX		20	0001A	10/31/17	
TOTAL HOURS		GROSS PAY		TOTAL TAXES		DEDUCTIONS		NET PAY	
SALARY		4489.29		1110.41		0.00		3378.88	
EARNING TYPE	HOURS	RATE	CURRENT	YEAR TO DATE	MS DEP	TAXES & DEDUCTIONS	CURRENT PERIOD	YEAR TO DATE	
SALARY			4489.29	26935.74	N 3	FED INC TX	550.55	3303.30	
					0	FICA-OASDI	278.34	1670.04	
					0	FICA-MED	65.09	390.54	
					N 3	CA STATE	176.03	1056.18	
					0	CA DISABIL	40.40	242.40	
REIMBURSEMENTS									
TRAVEL ALLOWANCES			0.00	0.00					

Same Employer,
No Medical
Withholdings

CHECK NUMBER	CHECK DATE	NET PAY
00551068	11/01/17	3378.88
CHECK AMOUNT		3378.88

1220 La Venta Rd., Suite 216
Westlake Village, CA 91361



Exhibit C: Gift Letters

Note on the below employment documentation:

- Substantial gift letters for down payment

GIFT LETTER

Applicant(s):



Loan Number: LUSINE

I, _____, do hereby certify the following:
(Donor)

(1) I have made a gift of \$ 30,000 to ARTUR
(Amount) (Recipient)

Whose relationship is: BROTHER
(Relationship)

GIFT LETTER

Applicant(s):



Loan Number: LUSINE

I, _____, do hereby certify the following:
(Donor)

(1) I have made a gift of \$ 36,000 to LUSINE
(Amount) (Recipient)

Whose relationship is: COUSIN
(Relationship)

GIFT LETTER

Applicant(s):



Loan Number: LUSINE

I, TIGRAN, do hereby certify the following:
(Donor)

(1) I have made a gift of \$ 22,000 to LUSINE
(Amount) (Recipient)

Whose relationship is: COUSIN
(Relationship)

(2) This gift is to be applied toward the purchase of the property located at:

RESEDA, CA 91335
(Property Address)