



TIP SHEET: MORTGAGE FRAUD RED FLAGS INDICATING UNUSUAL TRANSACTIONS

Mortgage fraud is an industry-wide concern and can occur at any step of the mortgage transaction. As fraudsters continue to find ways to commit fraud throughout the process, mortgage brokerage professionals play a key role in identifying red flags. The following information describes the red flags mortgage brokerage professionals are likely to encounter in their practice based on their discussion with the borrower and the documentation provided. This Tip Sheet is provided to help you identify the red flags indicating unusual transactions.

- Quick succession of transactions on the same property
- Seller buys and sells many properties
- Listed property is owned by a corporation but has a high-ratio mortgage
- Both the buyer and seller are represented by the same lawyer in the same transaction
- Condition in the purchase contract allows the buyer to show property to prospective tenants
- Multiple or all units of a building are sold at the same time with coinciding possession dates
- Purchase contract has immediate possession date
- Purchase contract has no conditions or an unconditional transaction requires a high-ratio mortgage
- Offer was accepted as written without any counter offer (i.e. no negotiation)
- Purchase contract contains unusual statement, such as 'This is a private sale'
- Names appear to have been added to, or deleted from, the purchase contract
- Not all parties named on the contract have signed it
- Purchase contract indicates the seller and buyer signed at the same time
- No buyer, seller, or real estate professional's contact information provided for delivery of documents
- Schedules, addenda, or amendments exist but are not referenced in the original purchase contract
Failure to properly identify changes to the purchase contract through the use of such documents may indicate the schedules, addenda or amendments may be fraudulent
- Deviation from common industry practices (e.g. buyer and seller are represented by different brokerages but deposit is held by a third party)