OFFICE of INSPECTOR GENERAL
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Potential Fraud Risks and Schemes for HUD's Single Family Housing Program

Audit Report Number: 2026-KC-0001

February 17, 2026

Office of Audit and Evaluation | Office of Inspector General
U.S. Department of Housing and Urban Development

Highlights

Potential Fraud Risks and Schemes for HUD's Single Family Housing Program| 2026-KC-0001

What We Audited and Why

Beginning in 2021, the U.S. Department of Housing and Urban Development (HUD) Office of Inspector General (OIG) conducted several audits to assess HUD's anti-fraud efforts and to develop inventories of fraud risks for several of its programs.[1] Our previous work found that HUD's fraud risk management program was in its early stages of development and we recommended that HUD perform program-specific fraud risk assessments and incorporate these assessments into an agency-wide plan to further advance its program.[2] To continue assisting HUD in improving its anti-fraud efforts, we conducted this work to identify potential fraud risks and schemes that could negatively impact HUD's Single Family Housing program. Our objective was to assist HUD by developing an inventory of fraud risks for its Single Family Housing program.

What We Found

As part of a larger effort by the HUD Office of Housing Operational Risk Division that included developing fraud risk inventories for all components of the Office of Housing, HUD created a fraud risk inventory for the Single Family Housing program that identified 28 fraud risks or schemes and covered many aspects of the program including appraisal, application, origination, servicing, invoices, and claims. We identified five overall fraud risk factors that increase the chance of fraud occurring in the program by increasing the incentive, opportunity, and likelihood for an individual considering committing fraud. We used these fraud risk factors, along with the results of brainstorming sessions, interviews, and reviews of audit reports, investigations, and press releases from HUD OIG and other agencies, to develop an inventory of 64 potential fraud schemes that HUD had not previously identified. These schemes could be used to defraud the Single Family Housing program and undermine its integrity, resulting in an increased risk to the FHA insurance fund, borrowers, and lenders.

What We Recommend

We recommend that the HUD Office of Single Family Housing (1) use the OIG's fraud risk inventory included in this report to enhance its Single Family program-specific fraud risk inventory, (2) include lenders and servicers in the fraud risk identification process and communicate the risks and schemes identified for the Single Family Housing program to relevant stakeholders, and (3) incorporate data and system enhancements into its plans to improve HUD's ability to monitor and respond to fraud risks in the Single Family Housing program.

---

[1] *Fraud Risk Inventory for the CDBG and ESG CARES Act Funds*, 2022-FO-0801, October 12, 2021; *Fraud Risk Inventory for the Tenant- and Project-Based Rental Assistance, HOME, and Operating Fund Programs' CARES and ARP Act Funds*, 2022-FO-0007, September 29, 2022; and *Improvements are Needed in HUD's Fraud Risk Management Program*, 2023-FO-0001, October 26, 2022.

[2] *Improvements are Needed in HUD's Fraud Risk Management Program*, 2023-FO-0001, October 26, 2022.

Table of Contents

Background and Objective

The Federal Housing Administration (FHA), a part of HUD, provides mortgage insurance on single family loans made by FHA-approved lenders throughout the United States and its territories. This insurance allows lenders to bear less risk because FHA will pay a claim in the event of a homeowner default. HUD's Office of Single Family Housing supports affordable homeownership and refinancing opportunities for qualified borrowers through its FHA Single Family loan insurance programs. These programs protect lenders against losses from default, encouraging them to provide loan financing to eligible home buyers. FHA's Single Family insurance endorsement program is managed through the Mutual Mortgage Insurance Fund, which is funded by collecting loan insurance premiums from borrowers. The FHA insurance program is one of the largest insurers of mortgages in the world, insuring more than 50 million mortgages since its inception in 1934. Fraud poses a significant risk to the integrity of federal programs and erodes public trust in government. Fraud schemes could typically occur at any phase of the FHA-insured loan lifecycle shown below.

<u>Origination</u>
The process through which a lender obtains the initial application and all required Federal and state disclosures, then obtains additional documentation and information as needed to then submit to the underwriter.

<u>Underwriting</u>
The process through which an approved underwriter reviews the property and borrower to determine the risk of the loan and issue final approval of the loan.

<u>Closing</u>
The process through which final documents are signed and the funds are distributed. Once the closing is complete, the borrower is now legally responsible to repay the mortgage.

<u>Endorsement</u>
The process through which a pre-endorsement review is completed by the lender or HUD, the lender completes the insurance application in HUD's system, and the endorsement is processed. Once effective, the lender is protected from future loss.

<u>Servicing</u>
The process through which the lender obtains regular payments from the borrower, manages escrowed funds, and handles delinquencies. This includes the processes for reporting data to HUD, forbearance, and loss mitigation.

<u>Disposition</u>
The process through which the lender forecloses and/or disposes of the property, and files a claim for insurance with FHA.

Our objective was to assist HUD by developing an inventory of fraud risks for its Single Family Housing program. However, it is important to note that the inventory we developed is not all-inclusive and is only intended to inform HUD's risk assessment process to help management identify fraud risks. Further, it does not replace management's responsibility to conduct its own risk assessment and implement its own internal control system.

Fraud in Federal Programs

Fraud poses a significant risk to the integrity of Federal programs and erodes public trust in government. For HUD's Single Family Housing program, fraud also results in an increased risk to the FHA insurance fund.

The U.S. Government Accountability Office's (GAO) "Standards for Internal Control in the Federal Government," commonly known as the Green Book, states that when identifying, analyzing, and responding to fraud risks, management should consider the potential for fraud.[3] Specifically, management should consider the types of fraud that can occur within the entity to provide a basis for identifying fraud risks. The Green Book specifically identifies three types of fraud: (1) fraudulent financial reporting, (2) misappropriation of assets, and (3) corruption.

Further, according to the Green Book, managers should consider a variety of factors when identifying fraud risks. Fraud risk factors do not necessarily indicate that fraud exists but are often present when fraud occurs. As illustrated in the following figure, fraud risk factors include when (1) individuals have an incentive or are under pressure, which provides a motive to commit fraud; (2) circumstances exist, such as the absence of controls, ineffective controls, or the ability of management to override controls, which provide an opportunity to commit fraud; and (3) individuals involved are able to rationalize committing fraud.

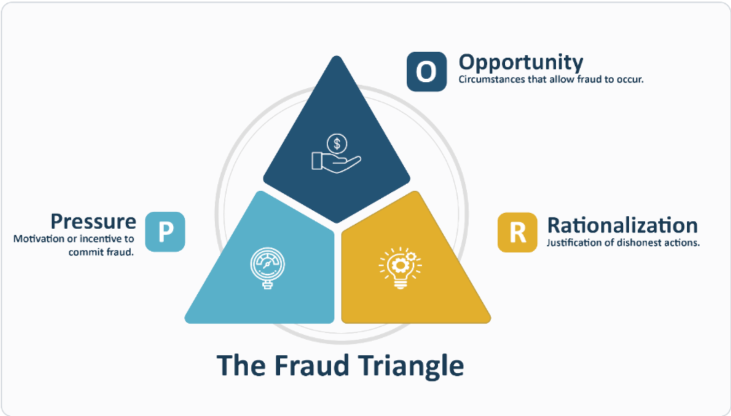

Figure note - This depiction of the fraud triangle was created by HUD OIG using Adobe Illustrator and is based on the fraud risk factor definitions in the U.S. GAO's Standards for Internal Controls in the Federal Government (commonly known as the Green Book).

[3] On September 10, 2014, GAO updated the "Standards for Internal Control in the Federal Government," which sets the standards for Federal agencies and provides the overall framework for designing, implementing, and operating an effective internal control system. Originally issued in January 1983, the Standards for Internal Control in the Federal Government is known as the Green Book.

While fraud risk may be greatest when all three risk factors are present, one or more of these factors may indicate a fraud risk. When fraud risks can be identified and mitigated, fraud may be less likely to occur. Although the occurrence of fraud indicates there is a fraud risk, a fraud risk can exist even if actual fraud has not yet occurred or been identified.

To help managers combat fraud and preserve integrity in government agencies and programs, GAO published "A Framework for Managing Fraud Risks in Federal Programs" (GAO-15-593SP) in July 2015, identifying the leading practices for managing fraud risks. Fraud risk management helps ensure program integrity by continuously and strategically mitigating both the likelihood and effects of fraud. Effectively managing fraud risk helps to ensure that programs fulfill their intended purpose, funds are spent effectively, and assets are safeguarded.

HUD Fraud Risk Management

HUD is required by law to manage fraud risks across its programs. Specifically, a provision of the Payment Integrity Information Act of 2019, Title 31 United States Code Section 3357, requires the Office of Management and Budget (OMB) to maintain guidelines for agencies to establish financial and administrative controls to identify and assess fraud risks and that incorporate leading practices from GAO's Fraud Risk Framework. OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, implements this requirement and directs managers to adhere to these leading practices in their efforts to effectively design, implement, and operate an internal control system that addresses fraud risk. In turn, HUD's Departmental Fraud Risk Management Policy implementing OMB A-123 guidance says that HUD managers have the responsibility to design, implement, and operate processes with embedded internal controls that mitigate the risk of fraud, waste, and abuse in HUD programs.

HUD OIG's October 2022 audit, "Improvements are Needed in HUD's Fraud Risk Management Program," recommended that HUD, among other things, perform a complete agency-wide fraud risk assessment incorporating the fraud risk assessments performed at the program levels.[4] In fiscal year 2024, HUD received Congressional approval to establish the Office of the Chief Risk Officer within its Office of the Chief Financial Officer. The Chief Risk Officer has overall responsibility for the design, implementation, and leadership of HUD's fraud risk management program. In addition, HUD's Office of Housing includes an Operational Risk Division that has coordinated fraud risk management efforts for the Office of Housing, including the Office of Single Family Housing.

HUD has emphasized the importance of preventing and detecting fraud in its programs. In its Fiscal Year 2026 Annual Performance Plan, HUD identified "Protect Taxpayer Funds" as one of its four departmental priorities. HUD is aiming to increase efficiency and effectiveness in executing its mission by eliminating waste, fraud, and abuse in Federal spending.

[4] *Improvements are Needed in HUD's Fraud Risk Management Program*, 2023-FO-0001, October 26, 2022.

Results of Audit

Potential Fraud Risks and Schemes for HUD's Single Family Housing Program

HUD's Office of Housing created a fraud risk inventory for the Single Family Housing program that identified 28 fraud risks or schemes and covered many aspects of the Single Family Housing program including appraisal, application, origination, servicing, invoices, and claims. We identified five overall fraud risk factors that increase the chance of fraud occurring in the program by increasing the incentive, opportunity, and likelihood for an individual considering committing fraud. We used these fraud risk factors, along with the results of brainstorming sessions, interviews, and reviews of audit reports, investigations, and press releases from HUD OIG, and other agencies, to develop an inventory of 64 potential fraud schemes that HUD had not previously identified. These schemes could be used to defraud the Single Family Housing program and undermine its integrity, resulting in an increased risk to the FHA insurance fund, borrowers, and lenders. At the time of our audit, these potential fraud schemes had not been identified by HUD's fraud risk assessment process and thus, HUD may be exposed to them.

HUD's Office of Housing Developed a Single Family Housing Fraud Risk Inventory

HUD's Office of Housing's Operational Risk Division developed a fraud risk inventory for the Single Family Housing program in 2024. This inventory identified 28 fraud risks or schemes that covered many aspects of the Single Family Housing program including appraisal, application, origination, servicing, invoices, and claims. This was part of a larger effort by the Office of Housing's Operational Risk Division that included developing fraud risk inventories for all components of the Office of Housing. HUD plans to update these fraud risk inventories annually as part of its ongoing fraud risk management efforts. Further, the Office of Housing conducted a fraud risk management maturity assessment in April 2020 with the assistance of a contractor. The assessment provided insights into the Office of Housing's current state of maturity against GAO's five dimensions framework of (1) commit, (2) assess, (3) design and implement, (4) evaluate and adapt, and (5) fraud data analytics. The levels of maturity ranged from ad hoc, preliminary, defined, integrated, to optimized.

The 28 schemes included on HUD's Single Family Housing fraud risk inventory are presented in the table below. See appendix B for the detailed inventory.

HUD Single Family Housing Fraud Risk Inventory Scheme Types	
1. Appraisal Fraud – Eligibility Misrepresentation	15. Property Flipping
2. Appraisal Fraud – Identity Misrepresentation	16. Reverse Mortgage Fraud
3. Appraisal Fraud – Value Manipulation	17. Flipping Fraud
4. Appraisal Fraud – Identity Theft	18. Property Preservation – Fraudulent Reimbursable Invoices
5. Borrower Information – Asset and Income Fraud	19. Falsifying Foreclosure Timelines

6. Buy and Bail – Occupancy Misrepresentation	20. Property Preservation – Kickback
7. Buy and Bail – Strategic Foreclosure/Short Sale	21. Attorney Fees Over Billing
8. Chunking Fraud	22. Fictitious Claims – Kickback – Claims
9. Equity Skimming/Equity Stripping	23. Falsifying Borrower Eligibility – Claims
10. Fraud for Profit	24. Duplicate Claims
11. Loss Mitigation Fraud	25. Unauthorized Expenses – Claims
12. Occupancy Fraud	26. Falsifying Records – Claims
13. Phantom Sale	27. Falsifying Occupancy Status
14. Predatory Lending	28. Falsifying Marketable Title Timelines – Claims

Fraud Risk Factors for the Single Family Housing Program

HUD's Office of Single Family Housing has taken appropriate steps to identify program specific fraud risks, but its inventory can be expanded to include additional fraud risks. To assist the Office of Single Family Housing with this effort, we developed a fraud risk inventory, included in Appendix C of this report, which includes additional fraud risks that it had not identified for the Single Family Housing program. The fraud risks identified in the HUD OIG inventory are not all-inclusive and should not preclude Single Family Housing from identifying and considering other fraud risks. GAO's Standards for Internal Control in the Federal Government referenced earlier in this report, explains that the OIG and its work may inform the fraud risk assessment process and help managers to identify fraud risks; however, the OIG should not lead or facilitate the fraud risk assessments to preserve its independence when reviewing the program's activities.

Although our fraud risk inventory may be informative to HUD while conducting a fraud risk assessment, it does not replace HUD's ultimate responsibility to conduct its own assessment.

Fraud Risk Factors Identified by HUD OIG

GAO's Green Book recommends considering fraud risk factors when identifying fraud risks. Fraud risk factors include when (1) individuals have an incentive or are under pressure, which provides a motive to commit fraud; (2) circumstances exist, such as the absence of controls, ineffective controls, or the ability of management to override controls, which provide an opportunity to commit fraud; and (3) individuals involved are able to rationalize committing fraud. FHA's plentiful loan product offerings attract unscrupulous actors looking to defraud these government-insured products and their intended borrowers.

Through our audit work, we identified five fraud risk factors that contribute to the likelihood of fraud in HUD's Single Family Housing program. These risk factors increase the chance of fraud occurring by increasing the incentive, opportunity, and likelihood of rationalization for an individual willing to commit fraud. The fraud risk factors identified for HUD's Single Family Housing program are as follows:

- **Decentralized Process** – FHA's primary role is to provide insurance against losses suffered by a participating mortgage lender if a borrower fails to make principal and interest payments. This role reduces the financial risk for the lender and provides an incentive for the lender to provide more mortgages extending access to credit to greater numbers of people. FHA collects insurance premiums in exchange for providing mortgage insurance. The premiums are retained in an insurance fund to pay lender insurance claims when a mortgage loan defaults. HUD-approved lenders who originate FHA-insured single-family loans perform the necessary eligibility screenings and make decisions on HUD's behalf, which increases opportunities for fraud.
- **Program Complexity** – A lender or servicer must fully comply with all the standards and procedures stated in HUD Handbook 4000.1 regarding originating, underwriting, and closing for obtaining FHA insurance on a mortgage. The complexity of and revisions to these standards and procedures increase opportunities for misuse of FHA loan products.
- **Capacity of Lenders and Servicers** – The sizes of FHA's lenders and servicers vary widely. Smaller lenders and servicers with limited capacity, including fewer or inexperienced employees, increase fraud risk because a single employee may be doing multiple tasks that should be segregated. In addition, lenders and servicers may lack sufficient controls to prevent and detect fraud. During this audit, we selected and interviewed lenders with varying FHA loan counts during our review period. They expressed their desire for more guidance on current fraud scheme trends that can affect their insured loan products or the approved lenders in the industry. The lenders indicated that Freddie Mac and Fannie Mae provide resources and training on current fraud scheme trends that are updated frequently and that they subscribe to resources from industry organizations and vendors to stay updated on current fraud scheme trends.
- **Self-Certification** – Instances in which self-certification is the sole or most significant control for program eligibility increase fraud risks from actors looking to take advantage of the programs for personal gain. Within the last year, HUD has seen reductions to its workforce which may affect its oversight and monitoring capabilities for FHA-insured loan products and therefore increase the opportunity for self-certification fraud.
- **Mortgage Lending Environment** – The mortgage lending environment has seen significant changes driven by economic uncertainty and technological advancements. These changes impact all stages of the FHA-insured loan lifecycle. Current economic uncertainty fosters an environment for fraud schemes involving mortgage loans and one of the side effects of elevated mortgage rates has been an increase in mortgage fraud. Lenders interviewed during the audit expressed concerns that higher interest rates incentivized borrowers looking to purchase second homes to commit occupancy fraud and secure favorable rates. In addition, a GAO report issued in May 2024 found that large "institutional" investors emerged in the wake of the 2007 financial crisis, bulk-purchasing foreclosed homes at auction and converting them into rental housing.[5] Institutional investors removing sizeable portions of the single-family housing stock for rentals creates an environment for fraudsters to target potential buyers anxious to purchase a home or existing homeowners anxious to transfer their property to an institutional investor's portfolio.

  According to the U.S. Department of the Treasury Financial Crimes Enforcement Network (FinCEN) the use of the internet and related technology to receive and process loan applications is increasing. The growing faceless nature of these transactions increases the opportunities for

[5] *Rental Housing: Information on Institutional Investment in Single-Family Homes*, GAO-24-106643, May 2024.

fraud and, coupled with "low-document" or "no-document" loans, creates a condition vulnerable to fraudulent activity. Using the Internet or telephone to receive and process loans means that lenders may never meet borrowers, even during the loan closing process. In some cases, lenders forward the loan documents to borrowers by courier service, and the documents are returned to lenders in the same manner. In addition, lenders we interviewed as part of this audit expressed concerns that bad actors are taking advantage of innovations in technology including artificial intelligence (AI) to improve the quality of misrepresented data used to commit loan fraud schemes. Lenders indicated that the bad actors are also using social media to sell manufactured payroll documents and asset statements for loan application purposes and to train borrowers how to commit occupancy fraud using FHA's 203(k) program.

Fraud Schemes Identified by HUD OIG

HUD OIG identified 64 additional fraud risks or schemes that could potentially be used to defraud HUD's Single Family Housing program. These were identified using the fraud risk factors identified above; available fraud risk management guidance; prior investigative and audit work from HUD OIG, GAO, and other OIGs; U.S. Department of Justice press releases; information from relevant industry groups; recent news articles; and interviews with HUD officials, subject-matter experts from HUD OIG's different components, and a sample of nine FHA-approved lenders. See appendix C for details of our 64 additional fraud risks or schemes for HUD's Single Family Housing program. Fraud in these programs can generally be divided into two broad categories based on the motivation behind the fraud: fraud for property and fraud for profit. Fraud for property is committed by home buyers attempting to purchase homes for their personal use, whereas the motivation behind fraud for profit is money. We classified all the schemes into the following two general fraud activities:

Fraud for Property

Fraud for property generally involves material misrepresentation or omission of information with the intent to deceive or mislead a lender into extending credit for the purchase of a home that would likely not be offered if the true facts were known. For example, it may consist of a borrower overstating income or asset values on his or her financial statement to qualify for a loan to purchase a home. The fraud schemes HUD OIG identified that would be categorized as fraud for property include:

- Misrepresentation or Omission of Change in Eligibility Status – The intentional omission or misrepresentation of changes that could affect eligibility to receive an FHA loan, such as undisclosed loss of employment or liabilities taken on shortly before closing or on the day of closing the mortgage.
- Straw Buyer Scheme – When a person is paid to apply for a mortgage on behalf of someone else.
- Occupancy Misrepresentation – Misrepresenting occupancy or the intention to reside in a property.
- Income Misrepresentation – Using fabricated or altered income documentation.
- Ownership Misrepresentation – Misrepresenting ownership of a property or business.

- Identity Theft – Applying for an FHA loan by using another individual's identity or personal information without authorization.
- Misrepresenting Gift Funds – Borrowers will borrow money from their family to make a down payment on a property. However, treating this as a gift reduces the amount of debt borrowers appear to have. A parent might provide money to their child for a down payment but expect repayment. Further, a borrower could accept a gift from a prohibited party.
- Mortgage Elimination Fraud – A borrower attempts to pay off a mortgage using fake funds or lying about debts on credit reports.
- Identity of Interest Fraud – Identity of interest or non-arm's-length sales occur when parties to the real estate transaction fail to disclose relationships between the buyers and sellers.

Fraud for Profit

Fraud for profit involves more complicated schemes and presents a higher exposure to the market. Fraud for profit involves deliberate misrepresentation, misstatements, or omissions in the mortgage lending process for financial gains. Fraudulent methods are used to acquire and dispose of property with the inflated profits going to the perpetrators of the fraudulent transaction. Participants in these fraudulent transactions involve a variety of insiders and third parties such as straw borrowers, sellers, loan originators, brokers, agents, appraisers, builders, and developers. Opportunities for fraud for profit involving insiders are limited only by the perpetrator's imagination. Typical fraudulent activities associated with this category are:

- Appraisal Fraud – An appraiser providing false property inspections related to HUD-owned properties or an appraiser and mortgage broker having an undisclosed relationship jeopardizing the independence of the appraisal.
- Fraudulent Flipping – A real estate agent bid on a HUD-owned property is accepted and the agent tries to secure a secondary buyer for the property to sell it for more than the original purchase price.
- Forensic Loan Audit – As part of phony loan counseling services, an individual may offer audit services requiring prohibited upfront payments. After reviewing the mortgage loan documents, the individual will claim the results of the audit can be used to avoid foreclosure, force a mortgage modification, or even cancel a loan. Then the individual will disappear with the fee.
- Foreclosure Rescue Schemes – Borrowers who fall behind on their payments are prey for scammers who offer to get them relief if they send payments to them. Most often, the scammers take the payments and provide no services. The borrowers do not realize the fraud until they receive foreclosure or eviction notices. They may also have the borrower sign the deed over to them and then force them out and sell the property for profit. These scammers may advertise fake government assistance programs or present themselves as HUD representatives.
- Bankruptcy to Avoid Foreclosure – The fraudster may promise to negotiate with the lender or get refinancing on a borrower's behalf if they pay a fee upfront. Instead of contacting the lender or refinancing the loan, the fraudster keeps the fee and files a bankruptcy case in the borrower's name, sometimes without their knowledge.

- Embezzlement – The misappropriation of cash or property by an individual entrusted with the assets.
- Misrepresenting Interest in Real Estate Transaction – A person misrepresenting themselves as a licensed real estate agent, licensed real estate broker, and an official representative of HUD to perpetuate a scheme to defraud private citizens of money under false pretenses.
- Occupancy Fraud – A property preservation contractor renting out HUD-owned units for profit or seeking buyers and presenting HUD-owned properties as rent to own.
- Deed Fraud – Fraudulently acquiring property by manipulating and filing fraudulent deeds and other documents and then selling the properties for profit. The original mortgage liens are not paid off and the mortgage holders are ultimately defrauded.
- Kickback – When something of value is inappropriately given in return for a favorable action.
- Mortgage Payoff Fraud – The title company mistakenly sends the mortgage payoff to a fraudulent bank account after receiving wiring instructions that appear to be from the mortgage servicer, or the settlement agency does not disperse loan proceeds to pay off an existing FHA loan when the property is sold.
- Closing Costs Fraud – When false wire transfer instructions are sent to the borrower, causing funds to be diverted from the intended recipient and delivered to another account. This could also include parties in a real estate transaction intentionally inflating closing costs or skimming money off the transaction through fraudulent charges added to the disbursement sheet during closing.
- Account Takeover Fraud – Involves criminals gaining unauthorized access to a user's online accounts such as financial, bank, email, or social media, to commit fraudulent activities.

Opportunities For Collaboration, Data, and System Enhancements in HUD’s Fraud Risk Management

GAO’s “A Framework for Managing Fraud Risks in Federal Programs” encourages a collaborative approach for the Single Family Housing fraud risk inventory to progress its anti-fraud maturity level. This includes communication and coordination in identifying types of potential fraud risks and schemes and using this information to decrease fraud risk in the Single Family Housing program. GAO recommends that relevant stakeholders, such as lenders and servicers for the Single Family Housing program, should be involved in the process of identifying fraud risks. FHA lenders and servicers we interviewed as part of this audit showed interest in a fraud risk inventory and mentioned that it would be a helpful resource to have access to when developing policies and administering HUD’s Single Family Housing program. During our interviews, they generally expressed that the industry and HUD could improve collaboration and sharing of information related to potential fraud risks and schemes to promote awareness. Given their proximity to program operations and because fraud primarily occurs at the lender and servicer level, they are uniquely positioned to recognize risks and schemes that HUD’s Office of Single Family Housing may overlook.

HUD OIG is another partner that the Office of Housing should consider. The Office of Single Family Housing historically and currently has a working relationship with HUD OIG’s Office of Investigation in identifying fraud, but it was not consulted when designing the inventory other than using the HUD OIG website as a resource. The HUD OIG website contains publications for the public and program participants in the form of OIG Fraud Bulletins on various HUD related topics. At least six are related to the Single Family Housing program, including mortgage rescue scams following disaster, foreclosure fraud schemes, identity theft fraud, deed fraud, and mortgage loan modification fraud. The website also lists common fraud schemes for a variety of HUD programs including Single Family mortgage insurance. The Single Family mortgage insurance common fraud schemes webpage lists 19 common fraud schemes including gift letter fraud, rent-to-own or leaseback scheme, and embezzlement of closing proceeds.

HUD has opportunities to enhance its data and systems to further its fraud prevention and detection capabilities. These enhancements could assist HUD in overcoming the fraud risk factors identified such as staffing reductions and environmental factors that could cause increased risk. For example, HUD's Quality Assurance Division indicated that outdated information technology infrastructure for HUD's Loan Review System has been an issue, and it has been dealing with multiple latent system outages.

Lenders interviewed as part of this audit also expressed areas that they felt could improve HUD's and their ability to prevent and address fraud in the Single Family Housing program. HUD could consider these potential enhancements to its fraud prevention and detection capabilities and determine whether it has the available resources to implement them or something similar at this time. Multiple lenders informed us that they found the mortgage credit reject screen in HUD's FHA Connection system helpful and believed it should be reinstated. This tool generated a warning flag associated with both the case number and the borrower when a loan application was rejected. The flag was active for the six-month period following rejection to provide this information to other lenders when the borrower applied for an FHA-insured loan from them during this timeframe. In September 2023, HUD waived the requirement that lenders flag rejected FHA loans in the system and stated that it determined the flag did not improve risk management, resulted in unexpected consequences such as certain lenders being required to submit their loans to FHA for endorsement, and was often why other lenders would reject an applicant even when that applicant might otherwise qualify for a loan. HUD performed a data-driven risk analysis and concluded that this often created unnecessary barriers for creditworthy borrowers that outweighed risk mitigation or fraud prevention benefits. However, lenders interviewed as part of this audit expressed concern that removing the rejection information from the system obstructs transparency amongst lenders and encourages bad actors to continue their attempts to obtain an FHA-insured mortgage using misrepresented data. In addition to this, lenders made the following suggestions for improvements.

- Updating the Loan Review System to allow for (1) loans to be dual reported for issues including fraud, (2) unlimited characters, (3) uploading of key fraud documents, and (4) collecting of additional data fields when reporting fraud.
- Building a central repository of high-risk parties that lenders can submit information to for Office of Single Family Housing review.
- Creating a tool that allows income and asset data to be ingested directly from the source.
- Using an AI tool for fraud detection.

Conclusion

We identified 5 program-specific fraud risk factors and 64 potential fraud schemes that had not been identified by HUD's fraud risk assessment process. As stated in OMB Circular A-123, HUD's management has overall responsibility for establishing internal controls to manage the risk of fraud. While the identified fraud risk factors and schemes may be informative to the Office of Single Family Housing in conducting its fraud risk assessment and fraud risk inventory for its Single Family Housing program, it does not replace their assessment and inventory. Therefore, we recommend the Office of Single Family Housing use the identified fraud risks and fraud schemes discussed in this report to enhance its program specific fraud inventory and its oversight of the Single Family Housing program. Ultimately, if the Office of Single Family Housing uses a more collaborative approach in its fraud risk management, it can create an enhanced and more complete fraud risk inventory and progress its anti-fraud maturity.

Recommendations

To assist HUD in its program-specific fraud risk assessments and enhance its fraud risk management program, we recommend that the Deputy Assistant Secretary for Single Family Housing

1A. Use the OIG's fraud risk inventory to enhance its program-specific fraud risk inventory for the Single Family Housing program.

1B. Include lenders and servicers in the fraud risk identification process and communicate the fraud risks and schemes identified for the Single Family Housing program to relevant stakeholders, including relevant HUD program and support staff, lenders, and servicers.

1C. Incorporate data and system enhancements such as those mentioned in this report into its plans to improve HUD's ability to monitor and respond to fraud risks in the Single Family Housing program.

Management Response

Office of Single Family Housing management generally agrees with OIG's three recommendations and stated that it is willing to take the lead in advancing its fraud risk management capabilities. The Office of Single Family Housing provided comments for each recommendation and suggested the report could more clearly describe the integral role of the OIG's Office of Investigation in its fraud risk management program. Also, it stated that it is willing to consider the system enhancements mentioned in the audit report; however, due to legal constraints, limited resources, and competing priorities some will not be possible.

Management's full comments are included in Appendix A.

OIG Evaluation of Management Response

We appreciate the Office of Single Family Housing's commitment to advancing its fraud risk management capabilities and the actions taken toward those efforts. We also appreciate its receptiveness to our recommendations. While we acknowledge that full implementation of the recommendations may be affected by factors outside of the Office of Single Family Housing's control, we will continue to work with the office during the audit resolution process to ensure that the recommendations are appropriately addressed. We also appreciate the Office of Single Family Housing's willingness to work with OIG's Office of Investigation to enhance its fraud risk management program; however, it remains HUD's responsibility to fully develop and maintain a fraud risk program. OIG will continue to work with the Office of Single Family Housing in its efforts to reduce fraud in its programs and we feel that fully implementing the recommendations of this report will help with that effort.

Scope and Methodology

We performed our audit work from April through July 2025. We conducted our fieldwork off site for this audit. Our audit covered the period January 2023 through March 2025, and we expanded it to November 2006 through July 2025 to include additional news articles, press releases, and information on fraud cases and analysis.

To gain an understanding of the fraud risks which the Single Family Housing program is exposed to, and to identify any fraud risks not yet identified by HUD, we conducted the following activities to develop our comprehensive fraud risk inventory.

- Reviewed relevant HUD policies, procedures, handbooks, mortgagee letters, and other documentation to obtain sufficient background information.
- Reviewed pertinent Federal fraud risk guidance and other criteria for assessing fraud risks, including GAO's "Standards for Internal Control in the Federal Government;" GAO's "Framework for Managing Fraud Risks in Federal Programs;" the "Antifraud Playbook" developed by the Chief Financial Officers Council and the U.S. Department of the Treasury's Bureau of the Fiscal Service; and OMB Circular A-123, Appendix C.
- Researched and reviewed other available fraud risk management guidance including materials published by the Association of Certified Fraud Examiners and Association of Government Accountants.
- Interviewed staff from HUD's Office of Housing and Office of Single Family Housing to obtain an understanding of its fraud risk management.
- Reviewed various documents related to HUD's fraud risk management efforts including risk assessments, reports, policies, the Single Family Program Fraud Risk Profile and Fraud Risk Inventory, and a Fraud Risk Catalog developed by HUD's Office of the Chief Risk Officer.
- Held brainstorming sessions with officials from various HUD OIG offices to identify fraud risks and schemes that may occur in the Single Family Housing program.
- Identified and reviewed prior HUD OIG work related to our objective including audit reports, investigative cases, bulletins, and other information.
- Identified and reviewed audit reports, evaluation reports, press releases, and fraud alerts from other OIGs and agencies with programs like HUD's Single Family Housing program, such as the U.S. Departments of Veterans Affairs, Agriculture, and Treasury, and the Small Business Administration, and Federal Housing Finance Agency.
- Reviewed U.S. Department of Justice press releases to identify any instances of fraud involving the Single Family Housing program.
- Researched and reviewed relevant industry groups to obtain insights into potential or known fraud schemes, control gaps, and vulnerabilities.
- Reviewed recent news articles to identify potential fraud risks for the Single Family Housing program.

We designed and selected a targeted nonstatistical sample of nine FHA-approved lenders due to our knowledge of the universe and to ensure that we included a variety of lender types and sizes. Our universe consisted of 107 lenders that both originated and serviced at least 100 FHA-endorsed loans during the period January 2023 through March 2025. To select the 9 FHA-approved lenders, we divided the universe of 107 lenders into 3 groups; small, middle, and large lenders and selected the 3 lenders with the largest FHA loan count in each of the 3 groups. We held brainstorming sessions with their senior staff to gain their insights on possible fraud risks and schemes related to the Single Family Housing program. The results of our selection cannot be projected to the universe.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendixes

Appendix A – Management Response

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

OFFICE OF HOUSING

12/19/2025

MEMORANDUM TO: Kilah S. White, Assistant Inspector General for Audit, GA

Signed by:
Matt Jones
C44D1AF7617445B...

FROM: Matthew Jones, Deputy Assistant Secretary for Single Family Housing, HU

SUBJECT: Discussion and Comments on Draft Audit: Potential Fraud Risks and Schemes for HUD's Single Family Housing Program *OIG Audit Report Number: 202X-KC-00XX*

The Office of Inspector General (OIG) audited the U.S. Department of Housing and Urban Development (HUD), Office of Single Family Housing (Single Family) to identify potential fraud risks and schemes that could negatively impact HUD's Single Family Housing program. The audit objective was to assist HUD by developing an inventory of fraud risks.

The OIG provided a draft audit report to Single Family. While we do not disagree with any specific recommendations, we are providing the following comments.

General Observations

Although the audit report acknowledges the collaborative relationship between Single Family and the OIG in identifying and combatting fraud, it could more clearly describe the integral role of the OIG's Office of Investigation in almost every aspect of HUD's Single Family fraud risk management program.

Single Family identifies potential fraud through its quality assurance functions and receives self-identified reports of fraud from FHA lenders and servicers. As described in the FHA Defect Taxonomy (HUD Handbook 4000.1 Appendix 8.0), Single Family then refers all findings of fraud or materially misrepresented information to the OIG, which takes the lead on any fraud investigations. Single Family may aid in OIG investigations when necessary, but its standard procedures focus on lender and servicer compliance.

Although not explicitly stated in the audit report, parallels are sometimes drawn between HUD's Single Family fraud risk management program and similar programs run by Fannie Mae and Freddie Mac (the Government-Sponsored Enterprises or GSEs). HUD and the OIG have historically had more limited resources than the GSEs and cannot be expected to emulate their fraud risk programs in every way, but the basic structure of GSE fraud risk programs helps to illustrate the partnership between Single Family and the OIG.

www.hud.gov

For example, Freddie Mac has described how its Quality Control team and its Single-Family Fraud Risk team work together to identify and investigate fraud.[1] Single Family's Quality Assurance Division serves a function similar to Freddie Mac's Quality Control team, but the closest equivalent to Freddie Mac's Single-Family Fraud Risk team resides in the OIG's Office of Investigation. Any recommendations to enhance HUD's Single Family fraud risk management program must account for this fundamentally collaborative relationship.

Recommendation 1A

Use the OIG's fraud risk inventory to enhance its program-specific fraud risk inventory for the Single Family Housing program.

Single Family generally agrees with this recommendation. However, maintaining and using a Single Family fraud risk inventory will be a collaborative effort. Single Family is willing to take the lead.

Recommendation 1B

Include lenders and servicers in the fraud risk identification process and communicate the fraud risks and schemes identified for the Single Family Housing program to relevant stakeholders, including relevant HUD program and support staff, lenders, and servicers.

Engagement with FHA lenders and servicers on fraud-related topics will continue to be a collaborative effort between Single Family and the OIG's Office of Investigation. Single Family is willing to take the lead on informal communications to help inform the fraud risk inventory.

Recommendation 1C

Incorporate data and system enhancements such as those mentioned in this report into its plans to improve HUD's ability to monitor and respond to fraud risks in the Single Family Housing program.

Single Family is willing to consider the system enhancements mentioned in the audit report. However, some recommended enhancements will not be possible due to legal constraints and others are unlikely in the near term due to limited resources and competing priorities.

Single Family will propose and submit a Management Decision to respond to the audit recommendations after the issuance of the final audit report. Single Family will provide action plans and final action target dates in its Management Decision.

[1] https://sf.freddiemac.com/articles/news/true-lies-allies-in-the-fraud-fight

Appendix B – HUD Office of Housing Fraud Risk Inventory for Single Family Housing Program

#	Fraud Scheme Type	Actor	Fraud Scheme Description
1	Appraisal Fraud - Eligibility Misrepresentation	Appraiser, Mortgagee, Real Estate Agent	Appraisal does not disclose or fails to fully record information and/or defects that would cause a property not to be eligible for a loan/funding and/or not to meet federal program eligibility requirements.
2	Appraisal Fraud - Identity Misrepresentation	Appraiser	Certified appraiser certified appraisals that were performed by uncertified individuals.
3	Appraisal Fraud - Value Manipulation	Appraiser, Real Estate Agent/Mortgage Broker	This occurs when a home's value is deliberately or fraudulently understated or overstated. When the value is overstated, the scammer receives more money for the loan. When the value is understated, it is done to get a lower price on a foreclosed home, so the scammer does not have to pay for the property's full worth. "Air Loans" are another form of appraisal fraud, in which fake appraisals support nonexistent properties.
4	Appraiser Fraud - Identity Theft	Appraiser, Real Estate Agent/Mortgage Broke	The schemes varied but resulted from someone using the State certification number of a Federal Housing Administration (FHA) roster appraiser. The FHA roster appraiser was unaware of the misuse until it came to light, usually by accident. Most of the schemes happened when an FHA roster appraiser provided his or her personal identification number (PIN) for the desktop appraisal software to a colleague or supervisor. Providing the PIN was often rationalized because (a) it was needed to keep the process timely, (b) a fast turnaround was requested by the lender, or (c) it was a contingency for when the roster appraiser was away or unavailable.
5	Borrower Information - Asset & Income Fraud	Borrower, Lender, Attorney, Loan Officer, Mortgage Broker	Borrower overstating his or her income. This allows the borrower to qualify for a loan or a higher loan. Asset and/or income documentation is created that mispresents a borrower's financial condition.
6	Buy and Bail - Occupancy Misrepresentation	Borrower	Homes that are underwater but the homeowner is still current on their payments. The homeowner identifies a similar home with a much lower purchase price. The homeowner obtains financing to purchase the new home while falsely saying that the existing home will

#	Fraud Scheme Type	Actor	Fraud Scheme Description
			be rented out. Shortly after purchasing the new home no more payments are made on the prior home, which ultimately enters foreclosure.
7	Buy and Bail - Strategic Foreclosure/Short Sale	Borrower, Real Estate Agent and Real Estate Investor	Homes are purchased with the intent of going into foreclosure, then arranged for short sales with the lenders. Properties are then quickly resold, or flipped, at market rates.
8	Chunking Fraud	Borrower	Obtaining multiple loans on the same property at the same time from different lenders. This is also found in the Title 1 Home Improvement Loan program where scammers apply for multiple improvement loans for the same property.
9	Equity Skimming/Equity Stripping	Appraiser, Lender or Borrower/Real Estate Agent/Mortgage Broker	A false appraisal, inflated purchase price, an unrecorded lien, or any combination of the three, are used to get quick cash. After creating fake equity or eliminating any real equity that the property may have, the fraudsters take off with the money and let the property go into foreclosure.
10	Fraud for Profit	Mortgage Lender Professional, straw borrower (accomplice) and/or appraiser or realtor, settlement agent or Borrower/Real Estate Agent/Mortgage Broker	Providing fraudulent loan documents to obtain financing. Fraud for Profit involves multiple mortgage lender professionals in an attempt at defrauding the lender of large sums of money. Some or all the actors work together to get an undeserved large loan. Some cases have involved hundreds of loans and millions of dollars.
11	Loss Mitigation Fraud	Foreclosure Mitigation Entities	The fraudster promises to act, which may include loss mitigation requests, refinancing, bankruptcy action, or other actions to avoid foreclosure for an upfront fee. The fraudster promises are generally not legally allowable or beyond the capability of the fraudster.
12	Occupancy Fraud	Borrower, Loan officer, Mortgage Broker, Attorney, Appraiser	This is when a borrower wants to obtain a mortgage to purchase an investment property but claims that they will live there. Lenders usually charge higher interest rates for investment property mortgages, because they are riskier loans for lenders.
13	Phantom Sale	Seller, Buyer, Loan Officer, Mortgage Broker, Appraiser, Attorney	A fraudster identifies a property, which is typically abandoned, and then files a false deed that transfers the property to the fraudster or a co-conspirator. The scammer then applies

#	Fraud Scheme Type	Actor	Fraud Scheme Description
			for a mortgage loan, or conveys the property to a co-conspirator, and then pockets the loan proceeds or sale proceeds.
14	Predatory Lending	Mortgage Lender Professional	This involves high-pressure tactics to get people to buy a house for which they do not qualify. The scammers often falsify the documentation without the borrower's knowledge.
15	Property Flipping	Borrower, Appraiser or Real Estate Agent/Mortgage Broker	Involves the purchase of cheap properties, making little or no repairs and selling them quickly, often the same day, for huge profits. This scheme is made possible by fraudulent appraisals. Flipping is legal if there is a valid appraisal to support the increased valuation.
16	Reverse Mortgage Fraud	Borrower, Lender, Loan Officer, Mortgage Broker, Appraiser, Attorney, Fraudulent Investor, Conspirators	Reverse mortgage (a home equity conversion mortgage or HECM) is often used to defraud senior citizens of the equity in their homes. Using high-pressure tactics and relying on the inability of some seniors to comprehend what they are doing; the fraudsters trick the seniors into applying for a reverse mortgage. They then take the proceeds. Sometimes the fraudster will forge the senior's signature on documents unbeknown to the senior. Other reverse mortgage frauds involve fraudsters who heavily push seniors to take out a HECM and to invest the proceeds in investment portfolios that they are selling. They profit from fees, or the investment itself is a scam.
17	Flipping Fraud	Borrower, Mortgage Broker, Lender, Appraiser, Real Estate Agent, Attorney, Loan Originator	In a short sale flip scheme, the perpetrator manipulates the short sale lender into approving a short payoff and conceals an immediate contingent sale to a pre-arranged end buyer at a significantly higher sales price.
18	Property Preservation - Fraudulent Reimbursable Invoices	Contractors	The contractor could submit property preservation invoices that overstate the cost of service or invoice for services not performed. Mortgagee then submits corresponding claims to HUD for payment.
19	Falsifying Foreclosure Timelines	Mortgagee, Settlement attorney, Title company	Mortgagee falsifying documentation related to the start date (i.e., first legal date) and/or other requirements that would qualify a Mortgagee for higher amount of a claim payment.

#	Fraud Scheme Type	Actor	Fraud Scheme Description
20	Property Preservation - Kickback	Mortgagee, Contractor	Mortgagee and contractor conspire to inflate or falsify invoices and split the profit from the claims payments.
21	Attorney Fees Over Billing	Foreclosure Attorneys	Foreclosure attorney over bills Mortgagee, then Mortgagee files claim for fraudulent attorney fees.
22	Fictitious Claims - Kickback	Mortgagee, HUD Employee	Mortgagee and HUD claims agent conspire to pay fabricated Mortgagee claims, then split the profit.
23	Falsifying Borrower Eligibility	Mortgagee	Mortgagee intentionally submits multiple claims for same borrower.
24	Duplicate Claims	Mortgagee	Mortgagee intentionally submits multiple claims for same borrower.
25	Unauthorized Expenses	Mortgagee	Mortgagee knowingly submits claims with unauthorized expenses.
26	Falsifying Records	Mortgagee, borrower	Mortgagee knowingly submits claims with falsified records and/or information.
27	Falsifying Occupancy Status	Mortgagee, Borrower	Mortgagee knowingly submits claims with falsified records and/or information.
28	Falsifying Marketable Title Timelines	Mortgagee, Settlement attorney, Title company	Mortgagee falsifying documentation related to the marketable title completion date and/or other requirements that would qualify a Mortgagee for higher amount of a claim payment.

Appendix C – HUD OIG Additional Fraud Risk Inventory for Single Family Housing Program

#	Fraud Scheme Type	Actor	Fraud Risk Entry Point	Fraud Scheme Description
1	Account Takeover Fraud - Account Intrusion	External Fraudster	Online Accounts	Involves criminals gaining unauthorized access to a user's online accounts, such as financial, bank, email, or social media accounts, to commit fraudulent activities. Scammers are likely targeting mortgage servicers because they store vast amounts of sensitive data, including social security numbers and bank account data, along with borrowers' addresses and property details. What To Do When Your Mortgage Servicer Gets Hacked | Bankrate
2	Account Takeover Fraud - HELOC	External Fraudster	Emails, Texts, Data Breach, Stolen Information	HELOC fraud occurs when someone gains access to a homeowner's line of credit, either by stealing funds from an existing HELOC or by impersonating the homeowner to open a new HELOC. Someone gains access to a homeowner's existing HELOC account through phishing e-mails or texts, data breaches, or stolen credentials (like your HELOC checks or debit cards). Once inside, they can transfer funds, change contact info, or request checks and wire transfers, all without the homeowner's knowledge. How To Protect Yourself From HELOC Fraud | Bankrate
3	Affinity Fraud	Any	Accounting or Financial Reporting	Perpetrators rely on a common bond and exploit the trust and friendship that typically exists in the group of individuals with a common bond to support the scheme. Certain ethnic, religious, professional, or age-related groups are targeted. SEC Charges Real Estate Developer in Miami Affinity Fraud
4	Appraisal Fraud - Undisclosed Relationship	Appraiser, Mortgage Broker	Appraisal	Federal Housing Administration regulations prohibit mortgage brokers from having substantive communications with appraisers relating to valuation of properties, including ordering or managing an appraisal assignment, and from paying appraisers. Lenders rely on independent appraisals conducted within FHA regulations. Northern District of Illinois | U.S. Attorney's Office Charges Suburban Mortgage Brokers with Fraud for Allegedly Controlling Property Appraisals in Scheme to Defraud Lenders | United States Department of Justice

#	Fraud Scheme Type	Actor	Fraud Risk Entry Point	Fraud Scheme Description
5	Bankruptcy to Stop Foreclosure	External Fraudster	Foreclosure	The fraudster represented that they had "proprietary" methods or "legal tactics" to help homeowners stall or completely avoid foreclosure. In actuality, the fraudster persuaded homeowners to file chapter 13 bankruptcy to delay foreclosure actions. Defendants filed skeletal bankruptcy petitions that they called "pump fakes" or "missiles." These petitions intentionally failed to disclose the co-conspirators as preparers giving the appearance that the homeowners had filed the petitions on their own behalf. Any relief from the foreclosure delay was temporary until the bankruptcy court dismissed the proceeding. Jury-Finds-Two-Defendants-Guilty-of-Participating-in-Nationwide-Foreclosure-Rescue-Scam.pdf
6	Conspiracy - Misappropriated Mortgage Payments	Servicing Staff	Accounting or Financial Reporting	Mortgage company employees misappropriate borrower payments for his or her own personal and business use. Mortgage Loan Company Employee Sentenced and Ordered to Pay $108,000 in Restitution for False Statements—Massachusetts
7	Credit Score Fraud	Loan Officers	Loan Origination	A company employee is falsifying loan origination documents by fabricating credit scores.
8	Debt Elimination Fraud	Borrower, External Fraudster	Loan Servicing	Involves the use of fake legal documents and alternative payment methods to argue that existing mortgage obligations are invalid or illegal, or to purport to extinguish mortgage balances. Individuals orchestrating debt elimination schemes typically charge borrowers a fee for these debt elimination "services." A mortgage elimination fraud is where a borrower attempts to pay off a mortgage using fake funds or lying about debts on credit reports. District of Maryland | Upper Marlboro Woman Pleads Guilty to Wire Fraud in Connection with Mortgage Fraud Scheme | United States Department of Justice Suspicious Activity Related to Mortgage Loan Fraud Two New Jersey Men Found Guilty in Phony Debt Elimination Scheme | Office of Inspector General, Department of Housing and Urban Development

#	Fraud Scheme Type	Actor	Fraud Risk Entry Point	Fraud Scheme Description
9	Deed Fraud - Distressed Homeowners	External Fraudster	Forgery, Impersonation, Recording, Notarization	Homeowners who are on the verge of foreclosure should be aware of quick fix offers to help. Frequently, these homeowners' property values are lower than the balance owed and are considered "underwater" or "upside down." Fraudsters may contact distressed homeowners under the guise of rescuing the home and the mortgage. These victims are convinced to transfer the title of the home to the fraudster, which does not change the fact that the original homeowner remains responsible for the underlying mortgage. The fraudster will then make no payments on the mortgage and may even rent or "sell" the property prior to the bank foreclosing on the home. OIG Fraud Bulletin - Deed Fraud
10	Deed Fraud - Elderly Person	Exploitative Insider such as caregivers, financial advisors, or family members	Forgery, Impersonation, Recording, Notarization	Caregivers, financial advisors, or family members sometimes convince an unwitting senior citizen through coercion or threats to file a deed because it makes good financial sense. A fraudster may forge a senior citizen's name on the deed, have the document notarized, and then file it. In more complex schemes, the fraudster may have knowledge that an elderly person has failed to make tax payments. The fraudster may pay part of the tax debt to keep the property from foreclosing, then file a lien on the property without the true owner's knowledge or permission. Later, the fraudster may claim ownership of the property because they made partial tax payments. OIG Fraud Bulletin - Deed Fraud
11	Deed Fraud - Unwitting Buyers	External Fraudsters	Purchase of Home	Buyers can also become victims by purchasing a home from someone who doesn't own the home. When purchasing a home, buyers should always use a title insurance company to ensure the seller legally owns the property. One way to verify ownership by researching public county deed records or the office of the county tax assessor OIG Fraud Bulletin - Deed Fraud Dallas man heads to prison for deed fraud scheme | Office of Inspector General, Department of Housing and Urban Development

#	Fraud Scheme Type	Actor	Fraud Risk Entry Point	Fraud Scheme Description
12	Deepfake Mortgage Fraud	External Fraudster	Loan Origination	Mortgage fraud that uses fabricated video, audio, and images that are both "incredibly real" and hard to discern from the real thing. Cyber criminals can readily pull your voice from podcasts, social media, YouTube, and other easy-to-access channels. Fraudsters are now constantly targeting title companies, realty firms, and individuals. Was It You Or Was It AI? – NMP
13	Embezzlement - Falsified Title Insurance Documents	Title Agent	Loan Origination	The title agent creates false title insurance documents to give the appearance of a bona fide insurance policy in place, which is commonly required by lenders to approve the origination of a mortgage loan. The buyers of these bogus title insurance policies did not know that they were not underwritten by any insurance provider and thus had no value. Brevard, N.C. Woman Is Sentenced To Prison For Selling Fake Title Insurance Policies | Office of Inspector General, Department of Housing and Urban Development
14	Embezzlement of Closing Proceeds	Closing Attorneys, Real Estate Agent, Broker	Accounting or Financial Reporting	Closing attorneys or real estate agents and brokers receive proceeds for the loan and keep some or all of them for themselves. District of Columbia | Real Estate Agent/Broker Sentenced to a Year in Prison For Embezzling Over $100,000 of Clients' Money | United States Department of Justice
15	Embezzlement of Escrow Funds	Payment Processor	Computer Systems	A former payment processor diverted unclaimed escrow payments belonging to homeowners by accessing computer systems and having the payments sent via wire transfer and ACH transfer to various bank accounts and prepaid debit cards. Employee at Mortgage Company Admits Illegally Accessing Computer to Steal $2 Million | Office of Inspector General, Department of Housing and Urban Development
16	Employment Fraud - Falsifying Employment History	Real Estate Agent	Loan Origination	A real estate agent falsifies the employment history of clients to help them get approved for home loans. A real estate agent used businesses that they controlled to fraudulently employ clients, who did not in fact work there to show employment history to qualify for mortgages. Real Estate Developer Among Four Individuals Charged in Mortgage Fraud Scheme | Office of Inspector General, Department of Housing and Urban Development

#	Fraud Scheme Type	Actor	Fraud Risk Entry Point	Fraud Scheme Description
17	Equitable Lien Foreclosures Schemes	External Fraudster	Foreclosure Sale	This is a scheme to defraud unsophisticated and unsuspecting third-party purchasers at foreclosure sales. The core facts in each of these cases appear to be the same: A mortgage loan goes into default, a third-party owner takes title to the property subject to a priority lien; Simultaneous with taking title, the new owner is sued by another entity which claims to have provided funds for the most recent acquisition of the property; The new owner and the foreclosing entity consent to judgment within hours of the complaint being filed; The court enters the consent judgment, and; The property proceeds to sale all within a matter of weeks. POTENTIALLY FRAUDULENT EQUITABLE LIEN FORECLOSURES CONTINUE TO PLAGUE FLORIDA COURTS
18	False Claims	FHA-Approved Lender, Underwriter	Loan Origination, Underwriting	Originating and underwriting loans that did not meet applicable FHA/HUD requirements such as not having a quality control program, not adhering to lender self-reports and not ensuring that the underwriting process is free from conflicts of interest and submitting false claims on these loans when they defaulted. Eastern District of New York | PHH Agrees To Pay Over $74 Million To Resolve Alleged False Claims Act Liability Arising From Mortgage Lending | United States Department of Justice Guaranteed Rate to Pay $15 Million to Resolve Allegations it Knowingly Caused False Claims to Government Mortgage Loan Programs | Office of Inspector General, Department of Housing and Urban Development
19	Fictitious Originations - Kickback	Loan Officer	Loan Origination	Something of value is given to the loan officer in return for origination of fraudulent loans.
20	Flipping - REO	Real Estate Agent	HUD Website	A real estate agent is monitoring the HUD website for REO properties. Once the properties are listed, the agent submits a bid. If the bid is accepted, the agent immediately goes to the property and replaces the signage with his or her own signage. The signage usually states that the home is a foreclosure for sale and has a number to call for information. The agent is attempting to secure a secondary buyer for the home before he or she owns the property. If the agent is unable to secure a buyer, he or she may not close on the property, or the agent

#	Fraud Scheme Type	Actor	Fraud Risk Entry Point	Fraud Scheme Description
				may sell the property the same day or shortly after they close on the property. The agent is selling the properties for more than the original purchase price.
21	Forensic Loan Audit	External Fraudster	Phone Call, Email	HUD prohibits advance fees for loan counseling services, so scammers may sell their services as "forensic mortgage audits." These audits are reviews of mortgage loan documents to determine whether the lender complied with State and Federal mortgage lending laws. The fraudster claims that the audit report will help avoid foreclosure, force mortgage modification, or even cancel a loan. The fraudster typically will request an upfront fee for this service. As part of phony loan counseling services, an individual may offer audit services requiring prohibited upfront payments. After reviewing your mortgage loan documents, the individual will claim the results of the audit can be used to avoid foreclosure, force a mortgage modification, or even cancel a loan. Then the individual will disappear with the fee. OIG Fraud Bulletin: Loan Modification and Foreclosure Rescue Schemes and Common Fraud Schemes | Office of Inspector General, Department of Housing and Urban Development Owner Of Mortgage Elimination Company Found Guilty In White Plains Federal Court Of $38 Million Fraud Conspiracy | Office of Inspector General, Department of Housing and Urban Development
22	Fraud by Contractors or Builders - Construction Loan	Contractor, Builder	Expense Reimbursement	FHA construction loan fraud can encompass various fraudulent activities related to the FHA loan programs for home renovation and repair. These programs, such as Title 1 and 203(k), are designed to help people access funds for home improvements. Some deceptive contractors in the program were performing shoddy work by completing renovations or repairs below standard quality, falsifying documents by submitting fake invoices or inflated estimates to secure more funding, and overcharging homeowners by billing for excessive labor or materials beyond the scope of work. This fraud had victimized thousands of families and cost the taxpayers millions of dollars. Deceptive Home Improvement Contractors Complaints | HUD.gov / U.S. Department of Housing and Urban Development (HUD)

#	Fraud Scheme Type	Actor	Fraud Risk Entry Point	Fraud Scheme Description
23	Fraudulent Financial Instrument	External Fraudster	Financing	Individuals are using fraudulent promissory notes, Treasury Checks, bonds, and account numbers to attempt to purchase real estate. The fraudulent documents are not referenced as "U.S. Treasury" bonds or promissory notes. They are referenced as "personal promissory note" and "private offset bond;" however, they have the name of Henry Paulson, Secretary, U.S. Treasury on the face of the documents. Treasury OIG has learned that the only type of hardcopy bond issued by the U.S. Treasury that a citizen can purchase today is a savings bond. All other bonds are electronic, and the buyer would not receive a hard copy document. Finally, Paulson's name should not appear on any document listed as a private bond or promissory note since these items are not backed or guaranteed by the U.S. Treasury. Instead, these are fraudulent, fictitious instruments and are not issued or backed or guaranteed by the U.S. Treasury. National Association of Realtors Fraud Alert -Department of Treasury OIG Individuals are obtaining routing numbers from two Treasury Bureaus, the Financial Management Service (FMS) and the Bureau of Public Debt (BPD), and BPD's Treasury Direct Program on the internet and through seminars. Individuals are now creating false checking accounts using these routing numbers and are using their social security number as the checking account number. They list the bank as either the FMS or the BPD. As these Treasury Bureaus and the Treasury Direct Program do not offer checking accounts for the public, they will not honor any of these checks. However, because the checks are presented near weekends and holidays, the delays in the check verification process often allow the perpetrator to get away with money they are not entitled to, thereby leaving banks to assume the loss. SUBJECT: Car Dealers Fraud Alert
24	Gift Letter Fraud - Gifts from Prohibited Parties	Lender, Broker, Sellers, Developers	Loan Origination	High gift amounts and not having a relationship between the gifted and receiver. Gifts are often given by a conglomerate of real estate companies. Realty Company Owner Pleads Guilty in Fraud Scheme | Office of Inspector General, Department of Housing and Urban Development

#	Fraud Scheme Type	Actor	Fraud Risk Entry Point	Fraud Scheme Description
25	Gift Letter Fraud - Material Misrepresentation/False Statements	Borrower	Loan Origination	Often people will borrow money from their family to make a down payment on a property. However, treating this as a gift reduces the amount of debt you appear to have, possibly causing the lender to approve a loan it would otherwise reject. A parent might provide money to their child for a down payment but secretly expect repayment. If they sign a gift letter stating it is a gift with no expectation of repayment, they are committing fraud. Common Fraud Schemes | Office of Inspector General, Department of Housing and Urban Development
26	Identity of Interest Fraud	All Parties	Loan Origination	Identity of interest or non-arm's-length sales occurred when parties to the real estate transaction failed to disclose relationships between the buyers and sellers. Knowledge of a non-arm's-length sale would alert lenders to scrutinize loan packages more carefully. Some examples of an identity of interest could be: • A child purchasing a home from their parent. • A business owner purchasing a home from their business partner. • A tenant purchasing a home from their landlord. • An employee purchasing a home from their employer. FHA Identity of Interest: How it Can Affect Your Loan Boulder Man Pleads Guilty To Nearly $32 Million Bank Fraud Scheme | Office of Inspector General, Department of Housing and Urban Development Real Estate Investor, His Company, and an Employee Sentenced for Defrauding Financially Distressed Homeowners and Financial Institutions | Office of Inspector General, Department of Housing and Urban Development
27	Inflating Mortgage Closing Costs Fraud	Lender	Loan Closing	Lenders or other parties in a real estate transaction may intentionally inflate closing costs beyond their actual value to mislead borrowers or gain an unfair advantage. Additional Measures Would Better Protect Borrowers from Risks Associated with Interest Rate Reduction Refinance Loans | Department of Veterans Affairs OIG

#	Fraud Scheme Type	Actor	Fraud Risk Entry Point	Fraud Scheme Description
28	Mass Joinder Lawsuit	Lawyer, Law Firm, Marketing Partner	Loan Servicing	The fraudster, often a lawyer, law firm, or marketing partner, will promise that he or she can force lenders to modify loans. The fraudster will try to "sell" participation in a lawsuit against the mortgage lender, claiming that the homeowner cannot participate in the lawsuit until he or she pays some type of upfront fee. Common Fraud Schemes | Office of Inspector General, Department of Housing and Urban Development
29	Misappropriated Mortgage Payoffs	Settlement Agent, Agency	Loan Closing	A closing/settlement agent and agency did not disperse loan proceeds to pay off an existing FHA loan when the property was sold. Northern District of Georgia | Disbarred Real Estate Attorney Sentenced to Federal Prison for Stealing Millions from Clients | United States Department of Justice
30	Misrepresentation of Buyers	External Fraudster	Pre-foreclosure Short Sale	A fraudster researched and located properties that were in the pre-foreclosure short sale process and approached the homeowners about listing the properties for sale. After signing a listing agreement with the homeowners, the defendants submitted various fraudulent documents to financial institutions and mortgage companies for the purpose of freezing or halting the foreclosure process. Self-proclaimed "Short Sale Queen" and Associates Indicted in Federal Mortgage Fraud Scheme
31	Misrepresentation of Eligibility -Identity Theft	Borrower	Loan Origination	Identity theft happens when someone steals personal information or creates false identities to commit fraud, such as using a stolen identity to apply for and illegally receive HUD benefits. Individuals who commit identity theft fraud use schemes to obtain access to the names, addresses, social security numbers, bank accounts, and other personally identifiable information to carry out their schemes. Insiders, such as bank or mortgage employees, loan officers, accountants, or bookkeepers, can also use their position to forge signatures, access bank accounts under another's identity, or falsify documents to profit from the scheme. Identity Theft Fraud Bulletin Bergen County Man Charged with Mortgage Fraud, Fraudulently Obtaining SBA Loan and Aggravated Identity Theft | Office of Inspector General, Department of Housing and Urban Development

#	Fraud Scheme Type	Actor	Fraud Risk Entry Point	Fraud Scheme Description
				Mortgage Loan Officer Charged With Bank Fraud and Aggravated Identity Theft | Office of Inspector General, Department of Housing and Urban Development
32	Misrepresentation of Income - Child and Spousal Support	Borrower	Loan Origination	Borrowers using fabricated or altered public records documenting alleged court-ordered child and spousal support payments and without the misrepresented income, the borrowers would not qualify for the loan. Often the loan contains spousal or child support as the primary income for the borrower. Refer to public record data to determine the authenticity of supporting documents contained in the loan file. Misrepresentation of Income Using Fabricated/Altered Public Records
33	Misrepresentation of Loan Assumption	External Fraudster	Loan Servicing	Occurs when property ownership is transferred without the knowledge of lenders. This could indicate that a straw buyer was used to obtain the loan, with the property title being transferred to the actual owner after the loan disbursement. Mortgage Loan Fraud | FinCEN.gov
34	Misrepresentation of Occupancy -REO Property	Borrower	REO Property	This scheme occurs when a borrower lies about their intention to occupy a property as their primary residence to secure a mortgage, when they intend to use the property for investment purposes. Lying about occupying the REO property as an owner occupant to win the REO bidding process.
35	Misrepresenting Interest in Real Estate Transaction	External Fraudsters	REO Property	A person entered HUD REO properties for the purpose of misrepresenting themself as a licensed real estate agent, licensed real estate broker, and an official representative of HUD to perpetuate a scheme to defraud private citizens of money that they collected under false pretenses and not authorized by HUD to receive on its behalf. They gained unauthorized access to HUD REO properties and falsely advertised the properties as being "For Sale by Owner." FDLE investigation uncovers real estate scheme, leads to charge
36	Money Laundering	External Fraudster	Loan Origination	Criminals also convert their illicit proceeds into clean funds by buying real estate and other assets. Foreign government officials who steal from their own people, extort businesses, or seek and accept bribery payments have also used this method to funnel their illicit gains into the U.S. financial system. For example, when criminals use illicit proceeds to buy real estate,

#	Fraud Scheme Type	Actor	Fraud Risk Entry Point	Fraud Scheme Description
				legitimate purchasers—businesses and individuals—are foreclosed from buying or investing in those properties. Combating Money Laundering and Other Forms of Illicit Finance — FBI
37	Mortgage Back Securities Trading Fraud	Securities Traders	MBS	Involves manipulation, misrepresentation, or concealment of information in the purchase or sale of MBS. Traders may falsify bid/ask prices and mislead counterparties about market conditions, conceal markups, or "front-run" clients. One common strategy is to lie to the buyer about the seller's asking price or vice versa. FBI - Non-Prosecution Agreement with Nomura Securities International, Inc.
38	Mortgage Closing Costs Wire Fraud	External Fraudster	Loan Closing	This occurs when false wire transfer instructions are sent to the borrower. The wire transfer instructions are altered, causing funds to be diverted from the intended recipient and delivered to another account. Homebuyers Are Being Warned About a Real Estate Scam That Will Drain Your Bank Account
39	Mortgage Loan Modification Scams	External Fraudster	Loan Servicing	Mortgage loan modification scams are schemes to take your money, often by making a false promise of saving you from foreclosure. Mortgage loan modification scammers target the most vulnerable and struggling homeowners, which are often senior citizens. When using a loan modification scheme, fraudsters call borrowers of FHA loans by posing as employees of their mortgage companies. The fraudsters offer lower mortgage rates using phony loan modifications and sometimes threaten foreclosure if the borrower does not agree to the loan modification. Victims send their mortgage payments to the fraudsters, believing they are paying their actual mortgage companies. Mortgage Loan Modification Fraud Bulletin.pdf
40	Mortgage Payment Fraud	Lender	Loan Servicing	A mortgage company purportedly channeled money through a Foundation to make mortgage payments on behalf of borrowers, hiding potential defaults and artificially improving their default rates on FHA-insured loans. Straining the FHA's umbrella – Center for Public Integrity

#	Fraud Scheme Type	Actor	Fraud Risk Entry Point	Fraud Scheme Description
41	Mortgage Payoff Fraud	External Fraudster	Loan Closing	Mortgage payoff fraud involves when the title company mistakenly sends the mortgage payoff to a fraudulent bank account after receiving wiring instructions that appear to be from the mortgage servicer. Mortgage payoffs are being altered by fraudsters, usually as part of a hack into the email accounts of borrowers or others who do not use secure email accounts. Wire Transfer Fraud: Protecting Your Title Company | CertifID FNF Payoff Fraud Prevention Flyer_v3
42	Mortgage Rescue Fraud Following Disaster	External Fraudster	Loan Servicing	Scammers often prey on homeowners who may be financially vulnerable after falling behind on mortgage payments by promising to “work with the bank” on a homeowner’s behalf to help the homeowner avoid foreclosure. This tactic is often disguised as a “loan modification” or “mortgage modification.” A loan modification may be an appropriate option where a homeowner works directly with the bank or a reputable counseling agency to successfully modify the loan. However, homeowners should exercise caution when an individual or company promises to approach the bank on their behalf to help modify their mortgage or otherwise avoid foreclosure. These bad actors may charge a large fee then disappear after they get paid without performing services as promised. OIG Fraud Bulletin - Mortgage Rescue Scams Following a Disaster
43	Occupancy Fraud - Property Preservation	Property Preservation Contractor	REO Property	This scheme occurs when a property preservation contractor's employee rents REO units. To execute the scheme, the employee of the property preservation contractor puts the house on craigslist for rent to receive rent payments.
44	Occupancy Fraud - Squatter	Squatter	REO Property	A squatter living in an REO home provides fraudulent documents claiming they bought it or may present a fraudulent lease agreement dated post-foreclosure, signed by non-owner.
45	Partial-Interest Bankruptcy	External Fraudster	Foreclosure	The scam operator asks you to give a partial interest in your home to one or more people. You then make mortgage payments to the scam operator in lieu of paying the delinquent mortgage. However, the scam operator does not pay the existing mortgage or seek new financing. Each holder of a partial interest then files bankruptcy, one after another, without

#	Fraud Scheme Type	Actor	Fraud Risk Entry Point	Fraud Scheme Description
				your knowledge. The bankruptcy court will issue a "stay" order each time to stop foreclosure temporarily. However, the stay does not excuse you from making payments or from repaying the full amount of your loan. This complicates and delays foreclosure, while allowing the scam operator to maintain a stream of income by collecting payments from the victim. Foreclosure Rescue Scheme — FBI
46	Phony Counseling Schemes	External Fraudster	Loan Servicing	An individual indicates that he or she can negotiate a deal with your lender to modify the terms of your mortgage for an upfront fee – and then disappears with the fee. OIG Fraud Bulletin: Loan Modification and Foreclosure Rescue Schemes
47	Phony Warehouse Lending	External Fraudster	Loan Endorsement	Unlicensed fraudulent businesses approach people with offers of warehouse lines of credit. They are recruiting licensed real estate and mortgage brokers as employees to represent the scammer (aka the fake lender) as the scammer's account executives. With the enticement of large commissions from the fake lender, account executives are attempting to attract mortgage brokers to use the business as their source of funding with warehouse lines of credit that usually range between $1 million to $5 million. Upon signing the warehouse line agreements, the mortgage broker subsequently wires 1 percent - as much as $50,000 - of the available amount to open their account. The fraudulent lender follows up with virtual broker training sessions on how to submit, underwrite, and fund loans. With the ability to then supposedly fund new mortgages, brokers work with unsuspecting borrowers and submit loan documents electronically to the scam business. In some instances, the scammer also draws loan documents to send to escrow for borrower signatures. Upon return of the forms, the credit issuer goes dark, and communication ends, with the transaction never completed. Fraudsters targeting mortgage brokers in new scheme, regulators warn | National Mortgage News
48	Property Preservation Fraud – Fraudulent Appraisals	Appraiser	Appraisal	An appraiser providing false property inspections related to HUD REO properties.

#	Fraud Scheme Type	Actor	Fraud Risk Entry Point	Fraud Scheme Description
49	Property Preservation Fraud – Rent to Own	Property Preservation Company	REO Property	The owners of a property preservation company sought potential buyers for the home and presented the opportunity as a rent-to-own agreement with their company. The owners failed to pay the mortgage payments, and the homes went into foreclosure. District of South Carolina | Married Greenville Business Owners Sentenced to More than Seventeen Total Years, Ordered to Pay More than $2.5 Million in Restitution for Defrauding Home Buyers and Sellers | United States Department of Justice
50	Quit Claim Deed Fraud	External Fraudster	Internet	The schemes involve fraudsters who forge documents to record a phony transfer of property ownership. Criminals can then sell either the vacant land or home, take out a mortgage on it, or even rent it out to make a profit, forcing the real owners to head to court to reclaim their property. Deed fraud often involves identity theft where criminals will use personal information from the internet or elsewhere to assume your identity or claim to represent you to steal your property. FBI Boston Warns Quit Claim Deed Fraud is on the Rise — FBI
51	Refinance Fraud	Loan Officer	Loan Origination	Mortgage refinancing scams might involve aggressive sales tactics like threatening the loss of the home to pressure you into accepting unfavorable terms. Two examples are no- or low-cost refinancing where the cost of refinancing may be rolled into the loan, perhaps as a higher interest rate or credit repair refinancing where the buyer takes an offer to fix your credit through refinancing their home. Avoid home refinancing scams - DFPI
52	Refinance Fraud	Loan Officer	Loan Origination	The misuse appears to be in refinancing purchases by another company where the initial mortgage is shown to be paid off to indicate it is appropriate for an FHA-insured loan, but that mortgage is then later re-filed as a lien on the property. The house is then sold for a much higher value than the refinance amount occurring within a short period of time but frequently going into default.

#	Fraud Scheme Type	Actor	Fraud Risk Entry Point	Fraud Scheme Description
53	Rent-To-Own or Leaseback	External Fraudster	Filing Legal Documents	The homeowner surrenders the title or deed to their home as part of a deal that will let the homeowner stay in the home as a renter with the promise that the homeowner will be able to buy the home back in a few years. However, the fraudster does not intend to sell the home back and, instead, takes the monthly "rent" payments and allows the home to go into foreclosure. OIG Fraud Bulletin: Loan Modification and Foreclosure Rescue Schemes
54	REO Properties Fraud - Undisclosed Interest	Broker, Real Estate Settlement Attorney	REO Property	A HUD listing broker used limited liability companies to purchase HUD REO properties to conceal their interest in them, in violation of Federal laws. To execute the scheme, the broker enlisted the assistance of a real estate settlement attorney.
55	Seller Impersonation Fraud	External Fraudster	Loan Origination	This type of fraud involves fraudsters impersonating property owners and attempting to sell property they do not own. The fraudster searches public records to identify property that is free and clear of a mortgage loan or other liens, often targeting vacant land and rental properties owned by foreigners or the elderly. The fraudster then poses as the property owner and uses an internet request, email, or text message to hire a real estate agent. The property is generally listed below market value with a request for an all-cash buyer and a quick closing. Seller impersonation fraud threatens American homeownership Fraudsters Are Stealing Land Out from Under Owners — FBI
56	Short Sale Fraud - Flopping	Buyer, Seller	Short Sale	A short sale is a sale of a property where the proceeds of the sale are less than the balance owed on the mortgage loan. Fraud can occur if the seller or a buyer convinces the lender that valuation of the home is less than actual. After the lender approves the short sale, the seller or buyer resells the property at a higher price to a new buyer and pockets the difference. Five Defendants Indicted in Mortgage Fraud Scheme | Office of Inspector General, Department of Housing and Urban Development

#	Fraud Scheme Type	Actor	Fraud Risk Entry Point	Fraud Scheme Description
57	Skimming Closing Costs	Settlement Agent	Loan Closing	The settlement agents skimmed money off the transaction on the HUD-1 through fraudulent charges they added to the disbursement sheets during the settlements.
58	Sovereign Citizen	Sovereign Citizen Groups	Filing Legal Documents	Sovereign citizens are individuals who do not recognize the U. S. government and illegally occupy and take ownership of vacant properties. They take advantage of State laws that require county clerks to accept and file any quitclaim deed presented to them as long as the forms are properly signed and fees are paid. No proof of ownership is required. It becomes the burden of the true property owner to go to court and clear the title. There are also instances in which a sovereign citizen has rented a HUD REO property to unsuspecting tenants. Common Fraud Schemes | Office of Inspector General, Department of Housing and Urban Development
59	Straw Buyer	Loan Applicant	Loan Origination	Straw buyers are loan applicants used by fraud perpetrators to obtain mortgages and are used to disguise the true buyer or the true nature of the transaction. Former Cook County Land Bank Authority Employee Sentenced to a Year in Federal Prison for Scheming To Fraudulently Purchase and Resell Properties | Office of Inspector General, Department of Housing and Urban Development
60	Third-Party Originator Fraud	Third-Party Originators	Loan Origination	Third-party originator submits loan applications with falsified borrower information, fabricated documents, inflated income or assets, or misrepresented occupancy intentions. FHA seeks mortgage defect taxonomy changes for cases of TPO fraud, misrepresentation
61	Third Party Verification Fraud	Borrower, Loan Officer, Underwriter, Loan Processor	Loan Origination, Underwriting	Third party verification refers to a process through which a borrower's employment, income, and asset information is verified directly by the mortgagee with a borrower's employer or financial institution, through the services of a third party vendor but then is manipulated by someone in the originating and underwriting process.
62	Undisclosed Liabilities	Borrower	Loan Origination	Scheme involving undisclosed liability, borrowers who obtain additional debt either shortly before closing or on the day of closing the mortgage. Undisclosed debt leads to an

#	Fraud Scheme Type	Actor	Fraud Risk Entry Point	Fraud Scheme Description
				inaccurate debt to income ratio, a key factor in evaluating a borrower's ability to repay the loan. Undisclosed liabilities - attacking this common defect Fannie Mae
63	Undisclosed Loss of Employment	Borrower	Loan Origination	Scheme in which the borrowers leave or lose their jobs prior to closing, which would potentially disqualify them from obtaining the loan because of a shift in the debt to income ratio, or the lack of funds to cover the required down payment, monthly mortgage payments and closing costs.
64	White Knight	Fraudulent Buyer	Foreclosure	A fraudulent buyer makes a purchase offer to the homeowner who is at risk for foreclosure. They promise to sell or refinance the property, offering some cash to the borrowers. As the foreclosure progresses, the investor changes the terms of the agreement, often leading to the borrower losing their equity. This may involve the investor acquiring the title and then renting the property back to the original homeowner with an option to purchase, on terms unfavorable to the borrower. Common Types of Foreclosure Scams - FindLaw