Summary

A real estate data firm recently reported that the use of false employment to inflate qualifying income has become a significant fraud issue being seen by mortgage lenders. By limiting the length of employment on the current job, borrowers avoid detection through tax transcripts. Lenders have identified escalated income fraud risk with borrowers changing jobs and receiving large pay increases just prior to application. Often, the new job/income increase is within 2-3 months (or less) of application.

Recommended Action: Income Analysis Review

U.S. Bank Home Mortgage recommends that lenders complete an income analysis review for borrowers receiving significant pay increases (>30% increase from previous job) within 6 months of application. The analysis should attempt to verify the income with a trusted source provider such as The Work Number data.

If Work Number data is not available:

- Consider whether the income makes sense for the position listed and level of experience the borrower has.
- Obtain a letter of explanation from the borrower, explaining the new position and salary.
- Closely scrutinize the paystubs
  - Are they generic, with limited data (red flag)
  - Make sure they are accurate (income and deduction totals tie; check numbers are sequenced correctly; FICA taxes are accurate).
- Obtain all bank statements since pay increase; make sure payroll deposits are reflected, and match the paystub amounts and dates.
- Obtain a written Verification of Employment (VOE), if not already obtained; be aware that there may be some type of personal relationship between the employer and the borrower. VOE data should be consistent with paystubs and bank statements.

Questions

**Correspondent:** Please contact your Account Executive or the Client Support Area at 800.200.5881, option 1.

**HFA:** Please contact the Housing Finance Agency Hotline at 800.562.5165, option 1 for the HFA Customer Care Team.