

Minnesota Association of Mortgage Brokers Committee for Consumer Protection

Mortgage Fraud is one of the fastest growing white-collar crimes in the United States. If you believe you are a victim of Mortgage Fraud, report this crime immediately.

Mortgage Fraud is the “**intentional deception resulting in injury to another**”.

Elements of Mortgage Fraud include:

- **Individual makes false material misrepresentation;**
- **Misrepresentation / omission is relied upon for decision making;**
- **Financial impact is injurious to recipients of services or goods.**

There are two types of Mortgage Fraud:

- **Fraud for Property** is the misrepresentation of material facts to obtain property ownership. This usually involves the borrower as the perpetrator on a single loan. The borrower is generally encouraged to make false representations regarding income; assets; debt and credit. Professionals generally coach the borrower so that they can “qualify” for the mortgage loan.
- **Fraud for Profit** involves the misrepresentation of material facts to generate income to the seller (s) with no tangible benefit to the borrower or lender. This type of Mortgage Fraud involves industry professionals. Components include:
 - **Inflated property value or condition misrepresentation** (faulty appraisal);
 - **Employment misrepresentation** where the length of employment is overstated or fictitious and employment is verified by co-conspirators;
 - **Fraudulent documents** are generally prepared for the borrower including **W-2** statements, false paycheck information, false verifications;
 - **Asset misrepresentation** when the seller provides the second mortgage, altered bank or financial information, false verifications;
 - **Occupancy misrepresentation** when borrower states he/she intends to use the property for residence when he/she intends to use the property for rental income;
 - **Down payment misrepresentation** when down payments do not exist or are borrowed and disguised with a fraudulent gift letter;
 - **Leases** created for lending purposes to offset mortgage debt;

If you can identify any of these components in your real estate transaction, and you believe you are a victim of Mortgage Fraud, report it immediately.