Lender Best Practice: Fraud for Convenience

October 15, 2018

Comm18-019

Fraud for convenience in the industry has been on the rise and we want to make sure lenders are aware of some common scenarios. Convenience Fraud is when documents are created, updated or altered in a manner not consistent with guidelines in an attempt to avoid closing delays or other borrower impacts.

Signing Documentation on the Client's Behalf:

- The client did not sign one page of one document in the loan file and asked the processor to sign on her behalf so that the loan would be submitted to Underwriting. One might discern that it is acceptable because the processor is acting on the verbal direction of the client.

- A client's loan was approved with a condition for a signed letter of explanation for derogatory credit. The client did provide a verbal explanation regarding her derogatory credit history, but did not provide a written statement. One might reason that it is acceptable for the lender to document the verbal explanation in writing and sign the client's name because the client provided the verbal explanation to the teammate directly.

Forgery:

- The client provided a copy of her bank statement from a well-known financial institution; however, the last page was omitted. The lender knows that typically the last page of this institution's bank statement does not include account-specific information and alters the page numbers on the bank statement so that it appears complete. Whether or not the last page of the bank statement is material to the credit package, it is not acceptable to alter any documentation within the loan file.

VVOE forgery:

- The client applied for a mortgage loan, and during the processing/underwriting, the lender and/or third party has completed a Verbal Verification of Employment (VVOE). Weeks have passed, and now the loan is ready to close; however, the lender must call to re-verify the employment (prior to docs being drawn) to ensure the borrower is still employed at the time of closing. The lender was unable to reach the employer and is under pressure to get the loan to closing. In order for the closing to take place, the lender fills out a VVOE by copying the contact information on the original VVOE (without talking to the employer) as the teammate knows the borrower probably still works there.

Backdating:

- The loan processor realized they missed the 3 day window on an important disclosure prior to closing. In order to prevent a delayed closing they backdate the document. However, it is not acceptable to backdate any documentation within the loan file.

Thank you for your business!
Your SunTrust Correspondent Lending Team