



LOAN SCREENING CHECKLIST

The following is a list of common “red flags” to help alert processors, underwriters and auditors to possible irregularities in the data submitted by a borrower or other parties to the transaction. Its main purpose is to point out typical inconsistencies, which have been found in fraudulently obtained loans. While the presence of one or more of these items is not necessarily indicative of fraudulent intentions, it should point out the need for additional review and documentation. **These items may seemingly be legitimate when viewed independently, but when taken as a whole, a pattern of deception may begin to emerge.**

✓ Red Flag

LOAN APPLICATION (FANNIE MAE FORM 1003)

Yes No

Borrower and co-borrower work for same employer	<input type="checkbox"/>	<input type="checkbox"/>
Same telephone number for home and work	<input type="checkbox"/>	<input type="checkbox"/>
Employer on application doesn't match employer name on pay stubs or W-2's provided	<input type="checkbox"/>	<input type="checkbox"/>
Date of application and dates of verification forms are not consistent	<input type="checkbox"/>	<input type="checkbox"/>
Significant or contradictory changes from original to final typed loan application	<input type="checkbox"/>	<input type="checkbox"/>
Unsigned/undated application	<input type="checkbox"/>	<input type="checkbox"/>
Less than two-year history for residence and employment on 1003 (should be completed even if student/homemaker)	<input type="checkbox"/>	<input type="checkbox"/>
Unreasonable accumulation of assets compared to income	<input type="checkbox"/>	<input type="checkbox"/>
Lack of accumulation of assets compared to income	<input type="checkbox"/>	<input type="checkbox"/>
Borrower buying investment property but does not own current residence	<input type="checkbox"/>	<input type="checkbox"/>
Years of schooling not congruent to profession	<input type="checkbox"/>	<input type="checkbox"/>
Application discloses new automobile but no loan or lease appears on credit report	<input type="checkbox"/>	<input type="checkbox"/>
Purchase price not consistent with borrower's earnings	<input type="checkbox"/>	<input type="checkbox"/>
Price/date of original purchase not shown for refinances or doesn't match information provided on appraisal	<input type="checkbox"/>	<input type="checkbox"/>

LOAN SCREENING CHECKLIST *(continued)*

✓ Red Flag

EMPLOYMENT DOCUMENTS

Yes No

Round dollar amounts for YTD and past year earnings	<input type="checkbox"/>	<input type="checkbox"/>
VOE sent to P.O. Box without any explanation	<input type="checkbox"/>	<input type="checkbox"/>
VOE prepared/signed by lender on same date as prepared/signed by employer	<input type="checkbox"/>	<input type="checkbox"/>
Incorrect spelling of something	<input type="checkbox"/>	<input type="checkbox"/>
Illegible signatures with no further identification	<input type="checkbox"/>	<input type="checkbox"/>
Employer has same name and address as seller	<input type="checkbox"/>	<input type="checkbox"/>
Income disproportionate to type/location of employment	<input type="checkbox"/>	<input type="checkbox"/>
Drastic change from previous position or profession	<input type="checkbox"/>	<input type="checkbox"/>
Borrower is professional but not registered/licensed	<input type="checkbox"/>	<input type="checkbox"/>
Incorrect FICA taxes on W-2's and pay stubs	<input type="checkbox"/>	<input type="checkbox"/>
Company name not imprinted on paychecks	<input type="checkbox"/>	<input type="checkbox"/>
Company or Employee name not shown on paychecks and W-2's	<input type="checkbox"/>	<input type="checkbox"/>
Excessive praise in remarks section on VOE	<input type="checkbox"/>	<input type="checkbox"/>
Date of hire was on holiday or weekend	<input type="checkbox"/>	<input type="checkbox"/>

✓ Red Flag

TAX RETURNS

Yes No

Tax computation does not agree with tax tables	<input type="checkbox"/>	<input type="checkbox"/>
Address and/or profession on page two of the 1040s does not agree with other information on loan application	<input type="checkbox"/>	<input type="checkbox"/>
High income borrower does not use a professional tax preparer	<input type="checkbox"/>	<input type="checkbox"/>
Professional tax preparer used off-the-shelf software such as Turbo Tax or Simply Tax	<input type="checkbox"/>	<input type="checkbox"/>
Real estate taxes paid but no property owned or vice versa <i>(Schedule A)</i>	<input type="checkbox"/>	<input type="checkbox"/>
No mortgage interest paid but loan application represents property ownership or vice versa <i>(Schedule A)</i>	<input type="checkbox"/>	<input type="checkbox"/>
Income appears high for type of business	<input type="checkbox"/>	<input type="checkbox"/>
No interest income claimed but loan application shows substantial cash in banks <i>(Look for Schedule B)</i>	<input type="checkbox"/>	<input type="checkbox"/>
No "Cost of Goods" sold on retail or similar operations <i>(Schedule C)</i>	<input type="checkbox"/>	<input type="checkbox"/>
Few or no deductions for high income taxpayer <i>(Schedule A)</i>	<input type="checkbox"/>	<input type="checkbox"/>
Tax Returns marked "Draft" or are not the most recently filed tax returns	<input type="checkbox"/>	<input type="checkbox"/>

LOAN SCREENING CHECKLIST *(continued)*

✓ Red Flag

CREDIT REPORT

Yes No

No established credit	<input type="checkbox"/>	<input type="checkbox"/>
Variance in employment/residence data with 1003	<input type="checkbox"/>	<input type="checkbox"/>
Multiple recent inquiries from mortgage lenders	<input type="checkbox"/>	<input type="checkbox"/>
Borrower is authorized user on several trade lines	<input type="checkbox"/>	<input type="checkbox"/>
High income borrower with no accounts or recently established accounts	<input type="checkbox"/>	<input type="checkbox"/>
All trade lines opened same time	<input type="checkbox"/>	<input type="checkbox"/>
Dates on lines of credit don't correspond with borrower's age	<input type="checkbox"/>	<input type="checkbox"/>
Limited credit history for income/age	<input type="checkbox"/>	<input type="checkbox"/>
AKA or DBA used by borrower <i>(not a maiden name)</i>	<input type="checkbox"/>	<input type="checkbox"/>

✓ Red Flag

PRELIMINARY TITLE

Yes No

Seller not in title <i>(double escrow)</i>	<input type="checkbox"/>	<input type="checkbox"/>
Prepared for/mailed to party other than lender	<input type="checkbox"/>	<input type="checkbox"/>
Seller in title for short period of time but will receive substantial cash out	<input type="checkbox"/>	<input type="checkbox"/>
Seller is a corporation and property is not new construction	<input type="checkbox"/>	<input type="checkbox"/>

✓ Red Flag

SIGNATURES

Yes No

Signature of borrower not consistent throughout loan package	<input type="checkbox"/>	<input type="checkbox"/>
All signatures in loan package appear the same	<input type="checkbox"/>	<input type="checkbox"/>

LOAN SCREENING CHECKLIST *(continued)*

✓ Red Flag

APPRAISAL

Yes No

Information left blank or addendums missing	<input type="checkbox"/>	<input type="checkbox"/>
Ordered earlier than sales contract execution date	<input type="checkbox"/>	<input type="checkbox"/>
Comparable sales over 6 months old <i>(3 months for declining markets)</i>	<input type="checkbox"/>	<input type="checkbox"/>
Multiple line adjustments in excess of 10% or gross adjustments over 25%	<input type="checkbox"/>	<input type="checkbox"/>
Property has or is currently listed for sale on a refinance	<input type="checkbox"/>	<input type="checkbox"/>
Ordered by party other than the lender	<input type="checkbox"/>	<input type="checkbox"/>
Sales contract has sales concessions but no mention by appraiser	<input type="checkbox"/>	<input type="checkbox"/>
Photographs do not match description	<input type="checkbox"/>	<input type="checkbox"/>
Three-year Sales History has large increase/decrease in sales prices without explanation from appraiser	<input type="checkbox"/>	<input type="checkbox"/>

✓ Red Flag

SOURCE OF FUNDS

Yes No

VOD prepared/signed by lender on same date as prepared/signed by depository	<input type="checkbox"/>	<input type="checkbox"/>
Account jointly owned with another party not on the loan	<input type="checkbox"/>	<input type="checkbox"/>
Unfamiliar depository institution	<input type="checkbox"/>	<input type="checkbox"/>
VOD sent to P.O. Box without any explanation	<input type="checkbox"/>	<input type="checkbox"/>
Out-of-state investment accounts are borrower's only source of funds	<input type="checkbox"/>	<input type="checkbox"/>
Recently opened account with no source of funds	<input type="checkbox"/>	<input type="checkbox"/>
Excessive balance in checking account vs. savings	<input type="checkbox"/>	<input type="checkbox"/>
Borrower has no bank account <i>(does not believe in banks)</i> but has established credit	<input type="checkbox"/>	<input type="checkbox"/>
Round dollar amounts or squeezed in numbers	<input type="checkbox"/>	<input type="checkbox"/>
Illegible signatures with no further identification	<input type="checkbox"/>	<input type="checkbox"/>
NSF charges on account with high average balance	<input type="checkbox"/>	<input type="checkbox"/>
Bank statements appear to be PC generated without additional support to verify it is applicant's account	<input type="checkbox"/>	<input type="checkbox"/>
Regular deposits <i>(e.g. payroll deposits)</i> are at odds with the pay stubs provided	<input type="checkbox"/>	<input type="checkbox"/>