



## Fraud Policy

Our approved and licensed real estate brokers are responsible for the content and quality of each loan application and supporting documentation submitted by his/her employees. It is also the responsibility of the approved broker to explain what constitutes mortgage loan fraud and also the consequences of fraud to their employees and borrowers, including but not limited to, the types of loan fraud as outlined in this fraud policy.

### **EXAMPLES OF LOAN FRAUD**

Among many others, the most common examples of mortgage loan fraud are:

- 1.) **Submission of inaccurate or misleading information-** on loan application and/or falsifying documents purporting to substantiate credit, employment, income, deposit and asset information including identity, ownership or non-ownership of real property, etc.
- 2.) **Forgery-** Signing any documents on behalf of clients.
- 3.) **Occupancy misrepresentation-** Submitting incorrect information regarding current occupancy or the intent to maintain minimum 12 months continuing occupancy as stated in the Security Instrument (Deed of Trust).
- 4.) **Concealment of relevant information-** Brokers must obtain and disclose accurate information on the loan application. The submission of information or documentation that is known or should be suspected of being false or misleading is considered misrepresentation and/or fraud.

Examples:

- a. Simultaneous or consecutive processing of multiple owner-occupied loan applications from one applicant on multiple properties, or
- b. Simultaneous or consecutive processing of multiple loan applications from one applicant supplying inconsistent information on each loan application.

### **CONSEQUENCES**

T.J. Financial, Inc. stands behind the quality of its loan production. Fraudulent loans damage T.J. Financial, Inc.'s reputation with investors and mortgage insurance providers. This may jeopardize T.J. Financial, Inc.'s ability to sell loans to our investors in the secondary market.

For those who participate in committing loan fraud, the price is costly as well. Below are potential consequences to the parties involved.

#### **Consequences For Broker**

- 1.) Criminal prosecution
- 2.) Loss or suspension of real estate broker's license, salesperson's license and/or other applicable licenses
- 3.) Civil action against Broker by T.J. Financial, Inc.
- 4.) Civil action against Broker by the borrower and/or other parties to the loan transaction
- 5.) Loss of approval status with T.J. Financial, Inc.

Broker Initial \_\_\_\_\_  
President/Owner Initial \_\_\_\_\_

- 6.) Loss of approval status with other lenders due to exchange of information between lenders, mortgage insurance companies, investors, law enforcement agencies, California DRE, and NMLS

**Consequences For Borrower**

- 1.) Acceleration of the borrower’s debt per paragraph 8 of the FNMA/FHLMC Uniform Deed of Trust which states, “Borrower shall also be in default if Borrower, during the loan application process, gave materially false or inaccurate information or statements to lender (or failed to provide lender with any material information) in connection with the loan evidenced by the Note, including, but not limited to, representations concerning Borrower’s occupancy of the Property as a principal residence.” NOTE: Foreclosure under this section of the Deed of Trust does not require the Borrower to be in “payment default”. As such, the Borrower will not have the benefit of reinstatement. In order to cure the default, the Borrower must pay off the loan in full prior to the sale of the property.
- 2.) Criminal prosecution
- 3.) Civil action by T.J. Financial, Inc.
- 4.) Civil action by the other parties to the loan transaction, such as the seller and/or real estate agent/broker
- 5.) Adverse effects on credit history

T.J. Financial, Inc. performs ongoing quality control audits to meet our investor’s requirements. Should we discover any misrepresentation or falsified documentation within a loan file, it is our policy to report all instances of fraud or suspicious activity to state and federal law enforcement agencies.

Our signatures below indicate that we have read and understand T.J. Financial, Inc.’s Fraud Policy.

Broker Company Name: \_\_\_\_\_

\_\_\_\_\_  
Signature of Broker

\_\_\_\_\_  
Date

\_\_\_\_\_  
NMLS ID#

\_\_\_\_\_  
Signature of President/Owner

\_\_\_\_\_  
Date

\_\_\_\_\_  
NMLS ID#