

The Red Flags Rule

types of red flags

The **Red Flags Rule** requires mortgage loan originators (MLOs) and mortgage loan brokers (MLBs) to implement a **red flags** detection program to prevent identity theft. Here are some common **red flags** to be aware of when screening mortgage applications.

Alerts and notifications from a credit reporting agency

- A fraud or active duty alert in a credit report
- A notice of credit freeze or address discrepancy
- Unusual or inconsistent credit use, such as an increase in the volume of inquiries, an unusual number of recently established credit relationships or material changes in the use of credit



Suspicious documents

- Documents that appear to be altered, forged or destroyed and reassembled
- The photo or physical description provided does not match the applicant's appearance



Suspicious identification information

- Information is inconsistent with the MLO's files or external information (e.g. the address does not match an address in a credit report or the social security number (SSN) has not been issued)
- Information conflicts with other details provided by the applicant (e.g. the SSN range conflicts with the date of birth)
- Identifying phone number or address was previously provided on a fraudulent application
- The address or phone number has been submitted by a large number of other applicants
- The applicant or borrower cannot provide authenticating information when challenged about questionable identification



Suspicious activity related to a covered account

(this applies primarily to service providers hired by the MLO or MLB)

- The borrower did not attend closing and a Power of Attorney was used
- Following a change of address, the MLO receives a request for the addition of authorized users
- The borrower fails to make the first payment or only makes one, a pattern consistent with fraudulent mortgages
- Payments are not made by the borrower
- Mail to the borrower is returned as undeliverable while mortgage payments continue



Notice from customers, victims of identity theft or law enforcement

- The MLO is notified that they have originated a fraudulent mortgage
- The MLO is notified of unauthorized charges in connection with the mortgage

