



Zero Tolerance Loan Fraud/Misrepresentation Policy

Zero Tolerance Loan Fraud Policy / Specific, Deliberate Acts of Omission

All Emm Loans llc (EMM) approved brokers need to be aware that the submission of a loan application containing any materially false information is a crime punishable by fine, imprisonment, or both. In addition, the specific, deliberate acts of omission of material information, data, etc., which the broker knew but did not disclose, will be considered in the same manner as Loan Fraud / Misrepresentation.

Types of Loan Fraud

The following list contains some, but not all of the types of common fraudulent loan activity that the EMM QC department will be “on the lookout for”:

1. Submission of: inaccurate information, including false statements on a loan application and falsification of documents purporting to substantiate credit, employment, deposit and asset information, personal information including identity, ownership of real property, assets, etc.
2. Forgery of partially or predominantly accurate information, including forged signatures on any document in the loan file.
3. Incorrect statements regarding current occupancy or intent to maintain the minimum continuing occupancy as stated in the security instrument.
4. Lack of due diligence by the mortgage loan originator and/or processor, including the failure to obtain all information required by the application, and failure to request further information as dictated by the Borrower’s response to other questions.
5. Unquestioned acceptance of information or documentation which is known, should be known, or should be suspected to be inaccurate.
6. Simultaneous or consecutive processing of multiple owner-occupied loans from one applicant on multiple properties, or from one applicant supplying different information on each application.
7. Allowing an applicant or interested third-party to “assist” with the processing of the loan.
8. Nondisclosure of relevant information to anyone involved in the loan process.



Consequences

The effect of loan fraud is costly to all parties involved. EMM stands behind the quality of its loan production. Fraudulent loans damage our reputation with our investors and mortgage insurance providers. The price paid by those who participate in loan fraud is even more costly. The following are a few of the potential consequences that may be incurred:

Consequences to Broker and/or its Employee(s)

1. Suspension/termination of approved broker status with EMM
2. Criminal Prosecution
3. Loss of MLO Licenses
4. Exchange of information between lenders, and submission of information to investors (including FHA, VA, Fannie Mae, Freddie Mac), local and federal law enforcement, and state banking departments.
5. Civil action/litigation
6. Civil action by an applicant/borrower or other parties to the transaction
7. Loss of approval status with other lenders, investors, agencies and warehouse providers
8. Termination of agency approvals

Consequences to Borrower

1. Acceleration of debt

The Fannie Mae/Freddie Mac Mortgage/Deed of Trust, revised 6/2009, item #6 states: “Borrower shall also be in default if Borrower, during the loan application process, gave materially false or inaccurate information of 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 Mortgage/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 date of the property.

2. Criminal prosecution
3. Civil action by lender
4. Civil action by other parties to the transaction



- 5. Employment termination
- 6. Loss of professional license, if any
- 7. Adverse effect on credit history

Acknowledgement

I have read the foregoing and understand the position of Emm Loans llc with regard to its **ZERO TOLERANCE FOR ANY LOAN FRAUD/MISREPRESENTATION** and understand the consequences for my participation in any such activities.

Name of EMM Approved Broker

Date

Signature

Print Name / Title