

It is the policy and intent of FLCBank to support the eradication of loan fraud within the mortgage banking industry. Brokers and correspondent lenders should be advised that they, as licensed and regulated mortgage-industry professional organizations, are expected to prevent and detect prior to closing all discernable forms of loan fraud, and that they bear the responsibility for all actions, performed in the course or scope or furtherance of their business, of their employees, agents, or licensees which may contribute to loan fraud or fail to detect loan fraud.

Although loan fraud through misrepresentation may be perpetrated in many forms, some of the most common examples are:

- Submission of inaccurate information, including false statements on loan applications and falsification of documents purporting to substantiate credit, employment, deposit and assist information, of personal information including identity, ownership/non-ownership of real property, etc.
- Forgery or misrepresentation of partially or predominantly accurate information.
- Inaccurate representations of current occupancy or intent to maintain required occupancy as agreed in the security instrument.
- Lack of due diligence or concern by broker, loan officer, interviewer, or processor, including failure to obtain or divulge all information required by the application and failure to request further information as dictated by borrower's response to other questions.
- Acceptance of information or documentation which is known or suspected to be inaccurate or acceptance of information which should be known to be or suspected to be inaccurate.
 - This includes:
 - Simultaneous or consecutive processing of multiple owner-occupied loans from a single applicant where information differs on each application.
 - Permitting an applicant or interested third party to assist with the processing of the loan.
 - Failure of broker or loan officer to disclose any relevant or pertinent information

CONSEQUENCES OF LOAN FRAUD

The consequences of residential loan fraud are far-reaching and expensive. FLCBank warrants the quality of our loan production to our investors. Fraudulent loans may not be sold in the secondary market for home mortgages. If a loan is discovered to be fraudulent after its sale, FLCBank could be obligated to repurchase the loan from our investor. Fraudulent loans harm our reputation and strain our relationships with our investors and mortgage insurance carriers.

The consequences to those who participate in loan fraud are even more severe. The following is a list of a few repercussions flowing from loan fraud:

LOAN FRAUD IS A FEDERAL CRIMETo The Broker/Loan Officer:

- Criminal prosecution which may result in possible fines and imprisonment
- Revocation of broker/loan officer license
- Inability to access lenders caused by the exchange of legally permissible information between lender; mortgage insurance companies; FHLMC, FNMA, and other investors; policy agencies; and state or federal regulatory agencies
- Civil action by FLCBank
- Civil action by applicant and/or other parties to the transaction
- Loss of approved broker or correspondent lender status

To The Borrower:

- Acceleration of debt as mandated in the security instrument
- Criminal prosecution which may result in possible fines and imprisonment
- Civil action by FLCBank
- Civil action by other parties to the transaction such as the seller or real estate agent/broker
- Termination of employment
- Forfeiture of any professional license
- Adverse, long-term effect on credit history

Broker/Correspondent represents and warrants that Broker has read, understands, and accepts the foregoing Loan Fraud Prevention Policy