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MORTGAGE FRAUD: EMERGING TRENDS AND BEST PRACTICES FOR PREVENTION

Mortgage fraud is evolving in scale and sophistication, driven by digitized mortgage processes and the proliferation of AI-enabled document manipulation and deepfakes. Financial institutions are especially at risk. The authors of this article propose a practical, cross-institutional response: tighten internal controls; invest in advanced analytics and real-time monitoring; strengthen frontline training; and collaborate with law enforcement and other industry players. This integrated approach, they conclude, better positions financial institutions to outpace emerging risks.

By Lawrence J. Cameron and Jenna M. White *

Mortgage fraud remains a significant and evolving threat to financial institutions, homeowners, and the broader economy. As criminals adapt their tactics to exploit new technologies and vulnerabilities, understanding the latest trends in mortgage fraud is essential for lenders, compliance professionals, and law enforcement. This article addresses these trends.

MORTGAGE FRAUD: BACKGROUND

The Federal Bureau of Investigation defines mortgage fraud as “a material misstatement, misrepresentation, or omission relied upon by an underwriter or lender to fund, purchase, or insure a loan.”¹ The usual perpetrator of mortgage fraud is the individual borrower who misrepresents his income or assets in order to qualify for a mortgage.² On a larger scale, mortgage fraud often

involves complicated schemes perpetrated by criminal organizations that buy and sell property at enormous profit.³

Today, income and asset falsification remains the most common form of mortgage fraud. Identity theft follows close behind, having increased by 12% in 2023 and 5.6% in 2024.⁴ Other common schemes include occupancy fraud, property flipping, builder bailouts, short sale manipulation, reverse mortgage abuse, and straw buyer arrangements.⁵ Regardless of its form,

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<https://www.backofficepro.com/blog/mortgage-fraud-statistics-2025/>.

¹ FBI, Operation Quick Flip (Dec. 2005), available at <https://archives.fbi.gov/archives/news/stories/2005/december/operation-quick-flip-1>.

² BackOffice Pro, 45 Mortgage Fraud Statistics & Risk Trends For 2025 (Apr. 15, 2025), available at

³ Ken A. Edwards et al., FDIC, Staying Alert to Mortgage Fraud (2007), available at <https://www.fdic.gov/bank-examinations/si-summer-2007-article-2.pdf>.

⁴ BackOffice Pro, *supra* note 2.

⁵ *Id.*

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