

Mortgage Fraud News:

Credit Profile Numbers and Authorized Use Seasoned Tradelines

As companies have adjusted their processes and procedures, tightened credit standards and incorporated pre-funding quality control checks into their origination processes, mortgage fraud has also evolved. Tactics from the past resurface with slight variations from what was seen in the past few decades, but the purpose of the tactic remains, to use material misstatements, misrepresentations or omissions of facts to persuade a lender to fund or purchase a mortgage. This is mortgage fraud, as defined by the Federal Housing Finance Agency.

We have seen and heard various reports of “credit cleaning” websites on the internet. They advertise their services to create a new credit profile for consumers to use when applying for loans or credit cards. The premise of most of these websites is the same...“any nine digit number can be used for credit”. While these websites are not a new tactic, they are again being used to defraud lenders with some new variations. The credit cleaning as described by most websites involves a two-step process: 1) create a new credit profile, and 2) reestablish your credit.

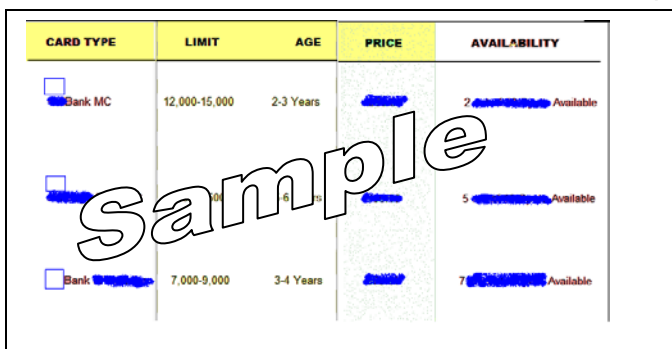
Step 1: Creation of New Credit Profiles Using Credit Profile Numbers

The process described by most of the credit cleaning websites is to create a new credit profile by using a credit profile number for all credit applications and reserving the use of a social security number (“SSN”) for only those instances where it is required by the government. This is accomplished by applying for and receiving an employer identification number (“EIN”) or individual taxpayer identification number (“ITIN”) which is a nine digit number, just like a SSN. The instructions to the consumer are to then stop using their SSN when applying for loans or credit cards and use only that new nine digit EIN or ITIN when applying for any credit.

While it is legal to use an EIN or ITIN to apply for credit, it is misrepresentation when consumers omit their outstanding credit history which was obtained using their SSN and only disclose credit obtained using their EIN or ITIN on their loan application. The assets and liabilities section on Form 1003 - Uniform Residential Loan Application (“URLA”) requires the applicant to list “...the creditor’s name, address, and account number for all outstanding debts, including automobile loans, revolving charge accounts, real estate loans, alimony, child support, stock pledges, etc..”. This means **ALL** liabilities must be disclosed in the liabilities section of the URLA, not just those associated with the EIN or ITIN the applicant may have stated on page one of the URLA. This omission of material facts about the applicant’s previous credit history on a mortgage loan application is mortgage fraud.

Step 2: Reestablishment of Credit Using Seasoned Credit Lines

One of the tactics used to establish a clean credit profile and high FICO score in as little as 30-45 days for the



CARD TYPE	LIMIT	AGE	PRICE	AVAILABILITY
Bank MC	12,000-15,000	2-3 Years	2	Available
Bank	10,000	6	5	Available
Bank	7,000-9,000	3-4 Years	7	Available

newly acquired credit profile number is to add seasoned tradelines where the consumer is an authorized user on various accounts. Credit cleaning websites sell various tradeline options to meet the consumer’s needs depending on the desired FICO score. Tradelines to which the consumer can purchase authorized user rights are displayed on the websites detailing the age of the credit account, the credit limit, and the availability for purchase. Tradelines purchased by the consumer remain “open” on the consumer’s credit profile typically for at least 60 days.

Because of tactics such as the purchase of authorized user tradelines to establish a high FICO score, it is prudent not to just rely on a borrower’s FICO score, but to also validate the FICO by reviewing the credit report.

which typically would prohibit loans from closing under Fannie Mae guidelines where the tactic to purchase authorized use tradelines is utilized. Fannie Mae does not consider authorized use tradelines when analyzing a potential borrower's credit profile except as outlined in the *Selling Guide*. Section B3-5.3-06 Authorized Users of Credit of the *Selling Guide* addresses authorized use credit as noted below:

Consideration of Authorized User Accounts

For manually underwritten loans, credit report tradelines that list a borrower as an authorized user cannot be considered in the underwriting decision, except as outlined below.

An authorized user tradeline may be considered if:

- another borrower in the mortgage transaction is the owner of the tradeline; or
- the borrower can provide written documentation (e.g., canceled checks, payment receipts, etc.) that he or she has been the actual and sole payer of the monthly payment on the account for at least 12 months preceding the date of the application.

If written documentation of the borrower's monthly payments on the authorized user tradeline is provided, then the payment history — particularly any late payments that are indicated — must be considered in the credit analysis and the monthly payment obligation must be included in the debt-to-income ratio.

An authorized user tradeline must be considered if the owner of the tradeline is the borrower's spouse and the spouse is not a borrower in the mortgage transaction.

The [Mortgage Fraud Resources](#) page on eFannieMae.com includes red flag job aids to assist in identification of potential mortgage fraud. The *Common Red Flags* document references several red flags under the credit report document header which may assist in the identification of purchased credit profile numbers and/or purchased authorized use seasoned tradelines including the following:

- 🚩 No credit history or "thin" credit files.
- 🚩 Invalid Social Security number or variance from that on other documents.
- 🚩 Duplicate Social Security number or additional user of Social Security number.
- 🚩 Recently issued Social Security number.
- 🚩 Length of established credit is not consistent with applicant's age.
- 🚩 Credit patterns are inconsistent with income and lifestyle.
- 🚩 Authorized user accounts have superior payment histories.
- 🚩 Social Security number alerts.

Fannie Mae partners with a wide variety of industry groups, with law enforcement, and with our customers in mortgage fraud education and prevention efforts. If you have any questions or suggestions about this information, please contact Fannie Mae's [Mortgage Fraud Program](#) or your Customer Account Manager.