

**Gloria Duda**

**To:**  
**Subject:** RE: Info of Which We Spoke....

Pat

Please see the attached copy of our blast program

[Gloria Duda] -----Original Message-----  
**From:** [mailto: ]@bankofamerica.com  
**Sent:** Wednesday, November 14, 2008 4:09 PM  
**To:** netzero.net  
**Cc:** Gloria Duda  
**Subject:** Info of Which We Spoke....

Here you go Jim!

- **If the subject property has been owned less than 12 months** and the appraisal indicate a substantial increase in value, the appraisal must contain comments on the improvements made to substantiate such an increase in value. If the appraisal does not show any recent improvements made, the loan must be conditioned to require evidence of documented improvements as supported by a construction contract or paid receipts and canceled checks (these must be maintained in the loan file (AWVD)).
- o Paid receipts and cancelled checks must clearly indicate the materials (i.e., cabinets, flooring, etc) were for the subject property
- o If the documentation received does not support the increase in value, the maximum LTV / CLTV / TLTV must be based on the lesser of current appraised value or original sales price.

## Property flip red flags

Property flips occur when ownership of one property changes hands several times in a brief period at significantly higher amounts. Flips are used to artificially inflate the value of the property in order to obtain larger loans than what would otherwise have been granted. Strawbuyers are often used and transactions are commonly initiated with the purchase of a distressed property. These transactions can create large losses for a lender and large profits for the perpetrators.

Property flip red flags include the following:

- Subject property is not titled in the seller's name.
- Seller's name on the sales contract is not the owners name on the appraisal.

- Seller is a corporation.
  - Subject property is owned by the seller for a short period of time and it was purchased for a significantly lower amount.
  - Parties to the transactions are affiliated.
  - Title commitment references other deeds to be recorded simultaneously.
  - Unusual fees or credits are found on the HUD-1.
  - Sales contract has unusually large earnest money deposit held by seller.
  - HUD-1 shows applicant brought no cash to closing or received cash back at closing.
  - A quit claim deed is used right before or right after loan closing.
  - Title commitment indicates a mortgage default by property seller.
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Sales purchase red flags include the following:

## **Sales purchase contract red flags**

- The applicant is not shown as the purchaser of the subject property.
- Names are deleted from or added to the contract.
- The seller is a party related to the transaction such as the realtor, employer, appraiser, relative, or broker.
- Earnest money deposit consists of the entire down payment or is a large amount not customary with the size of the purchase.
- Earnest money deposit is placed direct with the seller and

represents the entire down payment for the loan.

- There is no earnest money deposit in the sales contract.
- The earnest money deposit on the sales contract does not match the earnest money deposit on the loan application.
- Earnest money deposit with a realtor who does not sign the contract and acknowledges receipt of funds.
- Earnest money is deposited with unknown third party outside of the transaction.
- Earnest money check is dated prior to the sales contract or much later than the sales contract date.
- Price is substantially below or significantly higher than what is typical for the market.
- There is no realtor involved.
- Name and address on the earnest money deposit check do not match the applicant / buyer.
- Purchase contract indicates it has been assigned or is contingent upon another party (i.e. Seller) purchasing the subject property first, such as the seller.
- Seller or buyer is a corporation.
- Seller's name on the sales contract is not the owner's name on the appraisal.
- Seller's name on the sales contract is not the owner of the property per the title commitment.
- The buyer's name on the sales contract is not the proposed insured per the title commitment
- Seller's name listed on the contract is not consistent throughout or is not the same as the signature.
- Sales contract references an addendum but the addendum was not provided.
- Sales contract is dated after the date of the appraisal or after the date of the loan application.

- Sales contract has no date.
- Seller concessions / contributions appear excessive and / or seller is paying all of buyer's closing costs.
- Seller concessions / contributions do not match the details of transaction on the application.
- Comments in appraisal indicate sales price is unreasonable for subject property.
- Comment in appraisal indicate that sale of property is not an arms length transaction.

## **Appraisal red flags**

Appraisal red flags include the following:

- Subject property has significant deferred maintenance
- Applicant is not listed as the owner (non-borrowing owner)
- The property is listed as tenant occupied on an owner occupied loan request
- Photos show a For Sale in the yard for a refinance or a For Rent sign in the yard for a purchase.
- Appraiser comments that the property has been listed for sale in the last 90 days.
- Sales history section indicates that property has been sold recently at significantly higher or lower amounts.
- Property ownership has been transferred within the last 120 days.
- The property value is significantly above the predominant values of the comparable properties.
- Property has been sold within the last 12 months or more than once in the last 12 months.
- All comparable sales are within the same neighborhood / subdivision and / or the same builder on new construction.

- All of the comparable sales are sourced from private sale transactions versus properties sold through Multiple Listing Service (MLS), Clerks office, etc...
- Photos do not match the property description.
- Appraiser name is similar or the same as other parties engaged in the transaction.
- Appraiser used outdated appraisal forms or used wrong form.
- Comparables are all adjusted in the same direction.
- Overall adjustments are in excess of 25% without reasonable explanation.
- Appraiser is on the exclusionary list – appraisal not acceptable.
- Appraisal ordered before sales contract was written.
- Comparables are older than six months in a market that has a faster marketing time.
- Income approach not used on tenant occupied properties.
- High land value in urban areas.
- Comparables over one mile from subject property in an area where there should be sufficient comparables closer to the subject property.
- Occupant is show as tenant or **unknown** on primary or second home properties.

Contact

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