Mortgage fraud is evolving. Is your technology keeping up?

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Mortgage application fraud is a critical issue for lenders, costing billions annually. This means a clear understanding of the fraud landscape and technology that can identify anomalies is more important than ever. Application fraud — lying, omitting, or falsifying information to try and receive more favorable loan terms — can involve false data relating to borrower identity, employment status and income, or misrepresenting the source of funds for a downpayment.

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> VP, Product & Corporate Development, ICE

Today, the technology used to commit application fraud is increasingly sophisticated, as it becomes easier to access personal and financial information and use AI to manipulate that data. Often, legacy fraud validation tools lack the logic that can identify application discrepancies and are unable to distinguish fraud from legitimate borrower activity.

Methods such as synthetic identity fraud — where bad actors combine real and fabricated personal data to create seemingly legitimate borrower profiles — along with occupancy misrepresentation, misappropriated self-employment income, and mid-loan participant fraud are all difficult for legacy solutions to handle. Efficiently reviewing and clearing non-fraudulent applications also presents challenges. When every flagged application requires an underwriter to manually cross-reference data from disconnected sources without a clear fraud-scoring context, it presents an operational burden. These dynamics can delay loan processing, increase the risk of errors and frustrate qualified borrowers.

Technology to match fraud sophistication

Based on ICE's conversations with clients, underwriters spend an average of 20 to 60 minutes per loan application, manually clearing conditions for each flagged loan. Fragmented workflows, inflexible fraud models, and a lack of actionable scoring all contribute to an estimated $19,500 in unnecessary annual underwriting costs per associate.

As one of the world's leading providers of financial market technology, we have constructed our ICE Fraud Monitor solution with a fundamentally different approach to mortgage fraud detection and condition clearing. The solution combines ICE proprietary data and third-party sources — as well as credit and employment validation sources — and applies advanced logic to monitor, detect and resolve mortgage fraud throughout the loan application. This unified workflow automates portions of the review process, so potential fraud can be detected more efficiently while keeping loans moving through the pipeline.

Integrated into ICE's Encompass® loan origination system, our Fraud Monitor allows users to access extensive property data reports directly in their workflow. By applying ICE's leading property research coverage and directly sourced public records data, the tool can automatically clear conditions and flag legitimate fraud concerns for review. The user receives automated alerts whenever the applicant file changes and can access a full audit trail with automated recordkeeping and compliance-ready reporting.

Limited customization capabilities can be a compliance hurdle for users of fraud valuation tools, given the range of corporate risk appetites and investor requirements. ICE Fraud Monitor provides configurable, quantified fraud scoring in a single dashboard that supports lender-specific compliance guidelines and allows users to better understand their risk by placing the fraud flag in either high-, medium-, or low-risk categories, to prioritize efforts.

Manually re-running fraud reports for watchlist matches presents another time-consuming exercise. To address this, ICE Fraud Monitor tracks federal watchlists and GSE "do not sell" lists to proactively add new data without the need for human intervention. During final review, users can verify or clear flagged fraud concerns with data and credit source integrations to help mitigate risk.

Effective fraud detection has several elements: protecting lenders, creating efficient validation and verification processes, and maintaining good customer service for legitimate borrowers. ICE Fraud Monitor is built to help streamline loan approvals and reduce losses by allowing faster, more informed decision making — leading to lower costs, improved investor confidence, and increased loan pull-through. As part of our mission to transform the housing finance experience, this solution demonstrates why ICE is helping define the future of homeownership.

About Intercontinental Exchange

Intercontinental Exchange, Inc. (NYSE: ICE) is a Fortune 500 company that designs, builds, and operates digital networks that connect people to opportunity. We provide financial technology and data services across major asset classes helping our customers access mission-critical workflow tools that increase transparency and efficiency. ICE's futures, equity, and options exchanges -- including the New York Stock Exchange -- and clearing houses help people invest, raise capital and manage risk. We offer some of the world's largest markets to trade and clear energy and environmental products. Our fixed income, data services and execution capabilities provide information, analytics and platforms that help our customers streamline processes and capitalize on opportunities. At ICE Mortgage Technology, we are transforming U.S. housing finance, from initial consumer engagement through loan production, closing, registration and the long-term servicing relationship. Together, ICE transforms, streamlines, and automates industries to connect our customers to opportunity.