

**Announcement #24-04****Date:** January 16, 2024

## Appraiser Identity Theft

PennyMac was recently alerted to an appraiser fraud scheme where appraisal reports were completed by an unlicensed appraiser unlawfully using the identities of other actively licensed appraisers. The appraisal reports were completed over the past two-year period and there is no evidence the appraisers whose identities were used were aware of or involved in the activity.

It is crucial for Correspondents to become familiar with the red flags associated with appraiser identity theft and take action to implement the necessary steps to detect and prevent fraud.

### Red Flags:

- The unlicensed appraiser's name and signature are not found in any capacity within the appraisals (or loan files).
- The company name, phone number, and address listed under "contact information" on the appraisal report are different from that of the licensed appraiser.
- Email contact information reflects a name other than the name of the appraiser who is listed as having performed the appraisal.
- The signatures of the "victim" appraisers appear forged and/or cut and pasted to the identified appraisals.
- Appraisal fees for the appraisals were paid with proceeds going directly to the mailing address of the unlicensed appraiser, not to the address of the purported appraisers.

### Steps to Take Action:

- Perform thorough due diligence when retaining services of appraisers and other outside vendors.
  - Review your internal appraisal licensing and verification controls
  - Ensure that AMC's utilized have appraisal licensing and verification controls in place
    - Reminder: Correspondents are responsible for appraisal selection even when AMCs are used in the process
  - Utilize all available public records and licensing agencies in determining the validity of third-party documentation (including addresses) within loan files.
  - Review the appraisal company name, phone number, and address listed in the contact information on the appraisal report to ensure it matches that of the licensed appraiser.
- Know your third-party originators/brokers.
- Educate your staff.
- Establish a zero-tolerance fraud policy.
- Share information within your organization.
- If the loan doesn't make sense, don't do it.
- Report any suspicious activity through established channels.

As a reminder, per the PennyMac Seller Guide, Correspondents represent and warrant the following:

- No fraud or other misrepresentation was committed in connection with the origination of the Mortgage Loan by Seller, borrower or any third party in connection therewith.
- The appraisal was conducted by a licensed or certified appraiser, and accurate controls are in place to ensure the appraiser is in good standing and licenses/certifications are current.
- The information on the appraisal report is accurate.
- Appraisal processes and appraisal reports are in compliance with all Agency requirements, as well as, all applicable state or federal statutes in all aspects of ordering, evaluation, disclosures, and processing appraisals.

Please contact your Sales Representative with any questions.