Las Vegas is in the midst of a resurrection as its housing market begins to stabilize after several years of distressed property sales and rapidly rising prices, while positive market attributes indicate higher property prices and lower fraud risk. The Las Vegas market is in transition and remains subject to a higher level of underwriter borrowers and a higher foreclosure rate than the rest of the nation.

**Property Valuation Fraud Risk**

In Las Vegas, the property valuation fraud risk is decreasing from Q1 2013 to Q3 2014. However, we are seeing signs of increasing property flipping activity among the higher risk loans in the region.

### Industry Facts

- Las Vegas has the 6th highest housing price appreciation rate in the country as of Q3 2014. Since Q1 2012, the Las Vegas HPI has risen from 100.2 to 162.9 in Q3 2014.
- Las Vegas’ HPI is at its highest since Q3 2000, when it was at 162.7.

### Higher Risk Activity

- Rapid price appreciation makes it easier to inflate values, especially if the property is coming out of a short sale or foreclosure.
- Lenders should carefully assess whether an increased price on a subject property is supported by market conditions, property improvements, etc.

### Industry Facts

- While cash purchases in the area are declining, 39% of homes sold in Las Vegas in Q3 2014 were purchased with cash, compared to the national average of 33.8%.
- Las Vegas has the third highest foreclosure rate in the nation (1 out of every 596 residential properties in October 2014).
- Las Vegas is ranked first nationally in "zombie" foreclosures, which account for 1 out of every 3 foreclosures in October 2014. (Zombie foreclosures refer to properties the homeowners have abandoned before the foreclosure is completed).
- The MSA is also first in underwater borrowers (34% of all mortgaged properties).

### For Consideration

- Cash purchases can obscure flippers (artificially devalued properties in short sales and bid-rigging at foreclosure auctions). When presented with a loan application on a formerly distressed property, lenders should carefully examine prior transactions for signs of collusion and manipulation (up or down) of the property’s value and ensure that the property is not being flippers at an artificially high price.
- Although mortgage fraud risk is down overall in Las Vegas, flipping and occupancy fraud risk is up as investor activity is on the rise.

Although Property Valuation Fraud Risk is decreasing in Las Vegas as compared to the National Risk Index, we are seeing signs of increasing Property Flipping activity among the higher risk loans in the region.