Jumbo loans have a higher fraud risk compared to conventional loans. Nationally, the overall risk index for jumbo loans is 164, compared to 102 for non-jumbo loans.

Fraud risk for jumbo loans is 61% higher than for non-jumbo loans and is higher across all type-specific risk categories. Of particular note: Employment/income fraud risk for jumbos is more than double that of non-jumbos; occupancy fraud risk is more than 50% higher.

Identity Fraud Risk

Risk is higher for jumbo loans because alerts for multiple "owner occupied" loan submissions from the same borrower fire at a higher rate compared to all loans. This suggests an attempt to hide the fact that the property will be used for investment purposes.

Automated and integrated employment and income verification and reverification will calm your nerves and squelch potential loss by quickly alerting you to possible misrepresentation.

Knowing where the high risk areas are, and verifying the identity of all loan participants during the origination process, will reduce your risk of heartburn later.

The percentage of loan applications that are jumbo increased by 27% from Q3 2012 to Q3 2013 (from 2.36% in Q3 2012 to 2.99% in Q3 2013).

The higher employment/income fraud risk for jumbo loans is due to the resubmission of loans with higher reported income – which is often a sign of reverse-engineering the loan to meet lender guidelines.

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