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## Owner Occupancy Fraud and Mortgage Performance

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### Abstract


We use a matched credit bureau and mortgage data set to identify occupancy fraud in residential mortgage originations, that is, borrowers who misrepresented their occupancy status as owner occupants rather than residential real estate investors. In contrast to previous studies, our data set allows us to show that such fraud was broad based, appearing in the government-sponsored enterprise market and in loans held on bank portfolios as well. Mortgage borrowers who misrepresented their occupancy status performed worse than otherwise similar owner occupants and declared investors, defaulting at nearly twice the rate. In addition, these defaults are significantly more likely to be 'strategic' in the sense that their bank card performance is better and utilization is lower.

**Keywords:** Mortgages, Mortgage default, Consumer credit, Household finance, Misreporting, Fraud

**JEL Classification:** D12, R3

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