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The Repurchase Demand Landed on Your Desk. Now What?

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I. FRIDAY AFTERNOON, 4:47 PM

The email arrives seventeen minutes before your General Counsel planned to leave for the weekend. Subject line: *Repurchase Demand — Loan No. [XXXXXXX] — Immediate Attention Required.* Attached is a six-page letter from Fannie Mae identifying what it characterizes as a "significant defect" in a $425,000 purchase-money loan your institution sold eighteen months ago. The borrower's DTI, Fannie says, was understated. The income calculation missed a recurring liability. The loan should never have been approved at 49.2% DTI—because the real number was 52.1%.

The demand gives you 60 days. Repurchase the loan at full UPB, plus accrued interest, plus expenses—or face escalation. The loan is performing. The borrower has never missed a payment. But none of that matters to the QC analyst who flagged it.

Now consider a second scenario arriving the same week. This one is different. Fannie Mae's letter does not cite a DTI miscalculation. It cites fraud. A paystub submitted during origination—one your underwriter reviewed, validated against the borrower's bank statements, and cleared—was generated by an AI tool in approximately 90 seconds. The withholdings are perfect. The formatting is flawless. Your underwriter had no chance of catching it by visual inspection. But Fannie Mae's new Palantir-powered Crime Detection Unit flagged the anomaly in ten seconds.

This is not a hypothetical either. Both scenarios are happening right now—across the industry, at accelerating frequency, with costs that are measurably worse than they were two years ago. And the fraud scenario carries a burden the DTI scenario does not: fraud-based repurchase demands are **life-of-loan obligations** that can never be extinguished by payment history, enforcement relief, or the passage of time.

The Milliman Mortgage Repurchase Index for Q1 2025 tells the story in two numbers. Estimated lifetime repurchase rates ticked upward for both GSEs: Freddie Mac moved from 0.301% to 0.309%, and Fannie Mae from 0.178% to 0.185%. The driver? A deterioration in borrower credit risk attributes—principally rising DTI ratios—fueled by mortgage rates that remain stubbornly above 6%. But underneath those numbers is a second, more dangerous current: mortgage fraud is rising at its fastest pace in over a decade, AI-generated fraudulent documents have surged nearly 500% in a single year, and the GSEs are deploying artificial intelligence to retroactively scan trillions of dollars in loan portfolios for fraud that human reviewers never caught.

Here is the hard truth that most lenders need to hear. The standard institutional response to a repurchase demand—assign it to operations, negotiate around the edges, eat the loss, move on—is leaving money on the table. Defensible loans are being repurchased. Available defenses are going unraised. Fraud is being used to manufacture repurchase demands on loans where the lender was itself the victim. And the third parties whose errors or intentional fraud actually caused the defect—the broker who fabricated the income, the appraiser who ignored the comparables, the borrower who submitted a synthetic paystub—are walking away untouched.

This article is the playbook for changing all of it.

II. THE REPURCHASE AND FRAUD ENVIRONMENT: A PERFECT STORM

Start with what Fannie Mae's own QC data reveals. For the review period spanning October through December 2024, the top defect categories driving repurchase demands were DTI-related: insufficient documentation of income, incorrect income calculations, and improper monthly payment calculations. These are not exotic errors. They are the bread-and-butter mistakes that happen when an underwriter miscounts a borrower's recurring obligations, misreads a tax return, or fails to verify variable income against a full 24-month lookback. In a 3% rate environment, a modest DTI miscalculation might not push the borrower past the eligibility threshold. At 6.5%, it does. Every time.

The per-loan economics of a repurchase have deteriorated sharply. A lender forced to buy back a loan originated at a 3.25% note rate and resell it into the scratch-and-dent market can lose 10% to 20% of the unpaid principal balance. On a $400,000 loan, that is $40,000 to $80,000 in realized loss. Per loan. In a low-volume origination environment where every basis point of margin matters, a handful of buybacks can erase a quarter's production economics entirely.

The Urban Institute's Housing Finance Policy Center has documented the downstream consequences: repurchase risk disproportionately affects purchase loans, loans to first-time homebuyers, and loans to households with a single borrower—precisely the segments that policymakers and the GSEs themselves say they want to serve. Lenders respond rationally: they impose overlays, tighten credit boxes, and decline to originate the loans most likely to draw QC scrutiny. A credit contraction that no one intended but everyone enables.

The Fraud Overlay: Why It's Worse Than the Headline Numbers

Layered on top of these DTI-driven defect trends is a fraud epidemic that is accelerating across every measurable dimension. The 2025 Cotality (formerly CoreLogic) Annual Fraud Report found

that the national Mortgage Application Fraud Risk Index increased 6.1% year-over-year in Q2 2025, with one in every 116 mortgage applications carrying fraud indicators—up from one in 123 the prior year. Undisclosed real estate debt fraud surged 12%, the largest increase of any category. Refinance fraud risk jumped 22%. And two-to-four-unit properties showed an extraordinary fraud rate of one in 27 applications.

Fannie Mae's own investigative data breaks down where the fraud is concentrated: income misrepresentation accounts for 46% of Fannie Mae investigative cases; occupancy fraud represents 29%—up from just 12% in 2021. A Philadelphia Federal Reserve study found that fraudulent investors claiming owner-occupancy default 75% more often than honest investors. When FHFA Director Bill Pulte launched Fannie Mae's new AI-powered Crime Detection Unit in partnership with Palantir Technologies in May 2025, he specifically predicted: "I think we are going to find a lot of occupancy fraud."

He was not speculating. *Fannie Mae's proof-of-concept test with Palantir identified fraud instances in ten seconds versus 60 days for human investigators (as reported in trade press coverage of the announcement). That AI is now scanning a $4.3 trillion portfolio. In Fannie Mae's multifamily book alone, open fraud investigations surged from 14 in 2022 to 193 in 2024, with confirmed fraud findings rising from 3 to 87 over the same period—per the FHFA-OIG's FY 2026 Management and Performance Challenges report.* The single-family implications are still unfolding, but the trajectory is unmistakable.

The Freddie Mac Asymmetry

One structural development deserves careful attention. Freddie Mac expanded its Performing Loan Repurchase Alternative pilot to all approved sellers nationwide beginning in Q1 2025, offering a fee-based structure as an alternative to traditional repurchase for performing loans with significant defects. Lenders whose NAQ rate falls below 2% in a given quarter owe no fee. Freddie also introduced a fee-only remedy providing immediate R&W relief in exchange for a UPB-based payment.

Fannie Mae has no equivalent program. A lender selling identical loan products to both GSEs now faces fundamentally different risk profiles for the same category of defect depending on which entity purchased the loan. Institutions that have not modeled this divergence into their delivery allocation strategy are leaving themselves exposed.

III. THE AI FRAUD EPIDEMIC: WHEN THE DOCUMENTS LOOK PERFECT

The single most consequential development in mortgage fraud—and by extension, in repurchase defense—is the weaponization of generative AI for document fabrication.

The numbers are not subtle. AI-assisted fraudulent documents increased nearly 500% between April and December 2025, according to fraud detection firm Inscribe. Fraud expert Frank McKenna demonstrated in January 2026 that he could find a fake paystub template online, input it to ChatGPT, change all identifying information, and have ChatGPT automatically update all tax withholdings correctly. The entire process took approximately 90 seconds. Law enforcement replicated this using Google Gemini.

The implications for lenders cut deep. Traditional "stare and compare" QC review cannot detect these documents because visual quality now matches legitimate originals. Internal mathematical consistency—previously a key fraud indicator when calculated incorrectly—is now handled automatically by AI. And the scale of the ecosystem is staggering: Resistant AI reports tracking more than 150 dedicated paystub generators providing over 350 templates, with the 20 most-visited sites accumulating more than 10 million visits in 2025. Templates are also readily available for W-2s, 1099s, 1040s, and bank statements. Some lenders report that as many as one in five paystubs submitted are fabricated.

Synthetic identity fraud compounds the threat. TransUnion reports U.S. lender exposure reached $3.3 billion at end of 2024, with an estimated 95% of synthetic identities passing the onboarding process. Third-party analysis of FinCEN SAR filing data indicates synthetic identity fraud-related SARs increased approximately 37% year-over-year in FY 2024. Deepfake technology—with a documented 704% growth in face swap attacks per iProov's 2024 Threat Intelligence Report—has reached the point where real-time video deepfakes can impersonate borrowers during identity verification sessions.

Federal agencies have taken notice. FinCEN Alert FIN-2024-Alert004 (November 2024) specifically addressed deepfake media targeting financial institutions. The FBI's December 2024 Public Service Announcement warned that AI tools "correct for human errors that might otherwise serve as warning signs of fraud." And Freddie Mac Bulletin 2025-16 (effective March 3, 2026) now mandates that sellers include AI-powered threats in annual security awareness training and maintain formal AI governance policies.

For the GC or Chief Risk Officer reading this: the fraud that is triggering today's repurchase demands may have been undetectable at origination using the tools your institution had in 2021 or 2022. That fact matters—both as a legal defense and as an imperative to upgrade your detection infrastructure now.

IV. THE GSE REMEDIES FRAMEWORK: WHAT MOST LENDERS GET WRONG

The Three-Tier Defect Classification

Under Fannie Mae's Remedies Framework, every defect identified during a full-file QC review is classified into one of three categories. A **finding** does not change the acquisition price and does not render the loan ineligible—no correction required. A **price-adjusted loan (PAL)** requires payment of a missing LLPA but would not have made the loan ineligible. A **significant defect** either requires a price change or renders the loan unacceptable for purchase. Only a significant defect triggers a repurchase demand.

This is the first line of defense—and the one most often overlooked. Fannie Mae's own Selling Guide, at Section D2-1-03, requires that in determining whether a significant defect exists, Fannie Mae must give consideration to the severity of the defect. A DTI miscalculation of 0.3% that doesn't cross an eligibility threshold is a finding, not a buyback. But lenders routinely accept the GSE's classification without challenge.

The Fraud Exception: Life-of-Loan Liability with No Sunset

Here is where the framework's architecture shifts—and where the financial stakes for your institution change by orders of magnitude.

Under Selling Guide Section A2-2-07, fraud-related representations and warranties are classified as "life-of-loan" obligations that are **never relieved**—not by 36 months of clean payment history, not by a satisfactory QC review, not by enforcement relief. The six life-of-loan exclusion categories include misstatements, misrepresentations, and omissions—the primary fraud-related provision.

For non-fraud misrepresentations on loans that have obtained enforcement relief, Fannie Mae can only assert a remedy if three conditions are all met: the misrepresentation involves three or more loans from the same lender, there is a common pattern of activity involving at least one common party, and the misrepresentation is "significant." These are substantial defensive barriers.

For fraud, these barriers disappear entirely. Section A2-2-07 states that a loan involving fraud is subject to repurchase regardless of whether the three-part test has been met. A single loan can trigger repurchase. The standard is "clear and convincing evidence" that a party "knowingly executed or participated in a scheme or artifice" to defraud Fannie Mae.

Two aspects of this standard are critically important for defense. First, **"clear and convincing evidence" is the most demanding standard of proof applied in civil proceedings**—requiring that it be "highly probable" that fraud occurred. This is not preponderance of the evidence. Counsel should rigorously challenge whether the GSE's evidence rises to this level. It bears noting that this standard is defined by the GSE's own Lender Contract; in actual litigation, the applicable evidentiary standard would be determined by the governing law of the dispute, which may differ. Second, the conduct must be "knowingly executed"—requiring scienter. Negligence, honest mistake, and—in many contexts—even recklessness may fall short of this threshold. A borrower who miscalculates income because they misread their own tax return is not committing a "scheme or artifice." The distinction matters, and it is defensible.

The 36-Month Enforcement Relief Sunset—and Its Limits

Under Selling Guide Section A2-3.2-02, Fannie Mae provides enforcement relief from most underwriting-related rep and warrant breaches once the borrower has made 36 consecutive monthly payments without a 30-day delinquency. The FHFA's October 2023 directive extended this framework to COVID-19 forbearance loans, treating pandemic forbearance the same as natural disaster forbearance: months in forbearance count toward the 36-month requirement.

This relief is powerful—but it does not apply to fraud. Lenders with pending demands on 2020–2021 originations should evaluate whether non-fraud enforcement relief applies. Many have not conducted this analysis. But counsel must also assess whether the GSE is attempting to

characterize what is actually a non-fraud defect as fraud-related in order to circumvent the 36-month sunset.

Freddie Mac's parallel framework adds its own protections. The life-of-loan exclusions—including misstatements, misrepresentations, and omissions—are described in Guide Section 1301.6(c), mirroring Fannie Mae's six-category structure. On UDAAP-based demands, Section 1301.2 provides that Freddie may not seek repurchase more than three years after the settlement date absent a regulatory finding. And where the same issue is the subject of pending litigation, the seller is not required to repurchase until 30 days after the resolution. That stay provision alone has saved clients of this firm seven figures.

V. TWELVE DEFENSES EVERY LENDER SHOULD EVALUATE

No repurchase demand should be accepted or paid without a systematic evaluation of available defenses. The original ten—plus two fraud-specific additions—are grounded in specific Guide provisions and have been deployed in practice.

1. **The defect is not "significant."** Under the Remedies Framework (D2-1-03), a defect qualifies as significant only if it would have changed the acquisition price or rendered the loan ineligible. If the corrected DTI still falls within program eligibility, the defect is a finding or PAL, not a repurchase trigger.

2. **The loan qualifies for enforcement relief.** If the borrower has made 36 consecutive payments without a 30-day delinquency, enforcement relief under A2-3.2-02 may already apply. Check the payment history before responding.

3. **The COVID-19 forbearance extension applies.** Under the FHFA's October 2023 directive (effective October 31, 2023), months in forbearance count toward the 36-month requirement. Many lenders with active demands on pandemic-era originations have not conducted this analysis.

4. **The demand fails to identify a specific breach.** The Lender Contract requires Fannie Mae to identify the specific selling rep or warranty breached. Press for specificity—the exercise sometimes reveals that the demand rests on ground the GSE cannot articulate.

5. **The defect qualifies for de minimis correction.** Under D2-1-04, a correction not exceeding $500 that resolves the significant defect eliminates the repurchase obligation entirely.

6. **The statute of limitations has run.** In California, four years for written contracts (CCP § 337). In Texas, four years (CPRC § 16.004). In New York, six years (CPLR § 213). For obligations not founded on a written instrument—including certain oral agreements and negligence claims—California's CCP § 339 provides a two-year period. For fraud, statutes of limitation may be longer, and discovery-rule accrual may extend the window. Note that GSE lender contracts often contain governing law and contractual limitations provisions that may modify these general state-law periods.

7. **A prior QC pass creates estoppel or waiver arguments.** If Fannie Mae previously reviewed the loan and found it acceptable, a subsequent demand on the same issue faces a stronger defense—notwithstanding the Guide's anti-waiver language.

8. **The GSE's own technology contributed to the defect.** If DU returned an Approve/Eligible recommendation on the final submission and the data was complete and accurate, Section A2-2-04 provides a limited waiver covering certain eligibility and creditworthiness reps.

9. **Servicer misconduct exacerbated the loss.** On make-whole demands, if the servicer failed to pursue timely loss mitigation or mismanaged the REO disposition, the make-whole amount should be reduced to reflect the servicer's contribution.

10. **The repurchase price calculation is wrong.** Verify UPB, MI payment credits, and LLPA deductions against delivery records. On a $400,000 loan, a one-point discrepancy is a $4,000 error.

11. **The GSE has not met the "clear and convincing evidence" standard for fraud.** For fraud-based demands under A2-2-07, the GSE must demonstrate that it is "highly probable" that a party knowingly participated in a scheme or artifice to defraud. Negligence is not fraud. Honest error is not fraud. And AI-generated documents that were undetectable using the lender's contemporaneous technology and industry-standard QC may not establish that the lender "should have known" of the fraud through the exercise of due diligence.

12. **The GSE is mischaracterizing a non-fraud defect as fraud to circumvent the 36-month sunset.** Watch for demands that label income miscalculations, documentation gaps, or data entry errors as "misrepresentations" to invoke life-of-loan liability. The life-of-loan exclusion requires a "knowingly executed scheme or artifice"—not a clerical error or a borrower's honest misunderstanding of the income question on the 1003. Demand a written explanation of the specific factual basis for the fraud characterization—not just the defect description. Challenge the characterization through the appeal process and, if necessary, request impasse review by a separate Fannie Mae team. When fraud is alleged, counsel should also request the GSE's complete investigative file, not just the demand letter—the supporting evidence may not survive scrutiny under the "clear and convincing" standard.

VI. THE OFFENSIVE PLAYBOOK: RECOVERING LOSSES FROM THE PARTIES THAT CAUSED THEM

Most lenders treat a repurchase loss as a closed-loop event. This is a failure of imagination—and of counsel. In the majority of cases, the defect that triggered the demand originated somewhere other than the lender's own underwriting desk. The offensive toolkit is broader than most institutions realize, particularly when fraud is involved.

Contractual Indemnification Against Brokers and Correspondents

Virtually every broker and correspondent agreement contains indemnification clauses covering losses from rep and warrant breaches. These obligations survive delivery, survive assignment, and in many agreements are backed by personal guarantees. But lenders do not assert them—because the file is old, the broker may have closed, or the relationship manager does not want to damage a referral source. None of these reasons survives scrutiny.

Professional Negligence Against Appraisers

When the demand is driven by a collateral valuation defect, the appraiser may be directly liable under a professional negligence theory for USPAP violations. Statutes of limitation are shorter (two years in California under CCP § 339), so the window closes fast.

When Fraud Is Involved: The Full Arsenal

Fraud-triggered repurchase demands unlock legal theories unavailable in ordinary defect cases. **FIRREA (12 U.S.C. § 1833a)** is particularly powerful: it requires only a preponderance of the evidence standard, carries a 10-year statute of limitations, and authorizes civil penalties generally not to exceed $1,000,000 per violation—with additional caps for continuing violations (the lesser of $1,000,000 per day or $5,000,000) and a separate gain-or-loss-based measure that can exceed the per-violation cap. DOJ has recovered billions under FIRREA—Bank of America paid a $5 billion FIRREA penalty in its $16.65 billion settlement.

Civil RICO (18 U.S.C. §§ 1961–1968) is available for pattern mortgage fraud involving at least two related predicate acts within ten years. Wire fraud, mail fraud, and bank fraud all qualify as predicates. The payoff: treble damages and attorney's fees. And where the underlying conduct constitutes fraud, actual fraud, or willful and malicious injury, the resulting judgment may be non-dischargeable in bankruptcy under 11 U.S.C. § 523(a)—though non-dischargeability depends on the nature of the underlying conduct, not the RICO label alone. Courts dismiss many RICO claims at the pleadings stage—but for systematic broker or settlement agent fraud across multiple loans, RICO remains potent.

Federal criminal statutes—wire fraud (18 U.S.C. § 1343), bank fraud (§ 1344), false statements (§ 1014)—carry penalties up to 30 years when affecting a financial institution and provide a 10-year statute of limitations. While criminal prosecution is the government's prerogative, lenders can and should coordinate with DOJ and FHFA-OIG by making fraud referrals and preserving evidence that supports parallel criminal proceedings.

Insurance Recovery

Fidelity bonds—required by Fannie Mae under Selling Guide Sections A3-5-01 and A3-5-02—cover losses from dishonest or fraudulent acts by employees. But standard fidelity bonds typically do not cover third-party fraud. E&O insurance covers negligent errors. The gap between these policies is where many lenders self-insure a risk they should transfer. An annual coverage audit is not optional; it is a cost-of-doing-business necessity.

The Anti-Deficiency Trap

In non-recourse states like California (CCP § 580b), the investor's choice of liquidation method can extinguish the lender's right to recover from the borrower after paying a make-whole demand. If the investor conducted a trustee's sale rather than judicial foreclosure, the anti-deficiency statute may bar a subsequent deficiency action. In some circumstances, this creates an affirmative defense: the investor's unilateral liquidation decision eliminated a recovery path, and the make-whole amount should be adjusted accordingly.

Timing Is Everything

The statute of limitations for an express indemnity claim accrues when the indemnitee sustains the loss by paying the demand—not from the date of the demand itself. For FIRREA, the window is ten years. For common-law fraud, three years in California with discovery-rule accrual. For negligence against appraisers, two years. Every month of delay between paying a repurchase demand and filing a third-party claim compresses the window. Retain counsel for the downstream claim the same day you retain counsel for the defense.

VII. SAR FILING: THE COMPLIANCE MINEFIELD WITHIN THE REPURCHASE

When a repurchase demand alleges fraud, lenders face overlapping SAR filing obligations that require careful navigation. FinCEN has explicitly documented that repurchase demands are a major driver of mortgage fraud SAR filings—in 2011, FinCEN attributed a 31% increase in mortgage fraud SARs primarily to repurchase demand-driven loan file reviews.

Receipt of a fraud-based repurchase demand does not automatically trigger a SAR filing obligation, but it triggers a **duty to investigate.** If the investigation reveals facts supporting a suspicion of fraud, a SAR must be filed within 30 calendar days. An additional 30 days is permitted if no suspect is identified, but filing cannot exceed 60 calendar days under any circumstances.

The litigation tension is real. SARs and any information revealing their existence are confidential under 31 U.S.C. § 5318(g)(2)—the lender cannot disclose the SAR to the GSE or in litigation, even under subpoena. But underlying loan files and transaction documents can generally be produced. The safe harbor provision provides absolute immunity for SAR filers. And a point that often gets lost in the compliance anxiety: filing a SAR does not constitute an admission that fraud occurred. The safe harbor and confidentiality protections exist precisely to encourage reporting without creating litigation exposure for the filer.

Managing this line—between the duty to investigate and report, and the duty to defend—requires counsel experienced in both BSA/AML compliance and repurchase litigation. Getting it wrong carries civil penalties up to $100,000 per violation and criminal penalties up to $250,000 and five years. If you are not certain your SAR procedures account for fraud discovered through repurchase demands, that gap alone justifies a call.

VIII. BUILDING THE REPURCHASE AND FRAUD DEFENSE INFRASTRUCTURE

Reactive institutions absorb losses. Prepared institutions defeat demands and recover losses. The difference is infrastructure.

Standing response protocol. Every institution selling to GSEs should have a documented repurchase demand triage procedure that activates within 48 hours. Designate an internal owner, establish a file-retrieval timeline, and require an initial defense assessment within 14 days. The protocol should distinguish between fraud and non-fraud demands from the outset—because the response timelines, defense strategies, and SAR implications diverge immediately.

Loan file preservation is equally non-negotiable. A litigation hold should attach to the entire file the moment a demand arrives—origination, servicing, QC correspondence, GSE communications, broker and correspondent files, and any applicable indemnification agreements. If the demand alleges fraud, extend the hold to all communications with the originating broker or loan officer, including text messages and personal email accounts if accessible.

AI-powered fraud detection. Freddie Mac's Quality Control Advisor Plus platform (launched November 2025) cut months off QC timelines and produced a 26% lower NAQ rate for pilot participants. Fannie Mae has improved its Income Calculator to reduce DTI-related defects. But institutions should also evaluate third-party document authenticity platforms—Ocrolus, Inscribe, Resistant AI, PointPredictive—that use forensic analysis to detect AI-generated paystubs, W-2s, and bank statements before loans are delivered. The cost of a detection subscription is a fraction of one repurchase loss.

Your broker and correspondent agreements need a fresh look. When was the last time your institution reviewed its standard agreements for enforceability of the indemnification, rep and warrant, and EPO provisions? Provisions drafted for a 3% rate environment may not adequately address the loss dynamics of 6.5% rates. Add explicit fraud-risk allocation provisions. Require E&O and fidelity bond verification at onboarding and annually thereafter.

SAR readiness. Document your institution's procedures for investigating fraud discovered through repurchase demands, establish escalation protocols from secondary marketing to BSA/AML compliance, and train relevant personnel on the 30-day filing timeline and confidentiality requirements. Wire fraud and business email compromise targeting closing transactions—responsible for an estimated $446 million in annual losses per FBI IC3 data—should be incorporated into your fraud detection and SAR reporting framework as well.

Finally, repurchase reserve methodology deserves C-suite attention in its own right. An institution with a defense program demonstrating a track record of defeating or reducing demands is entitled to a lower reserve than one that pays every demand at face value. The financial reporting benefit of a credible defense program often resonates with the board more than the legal analysis alone.

IX. THE CALL YOU SHOULD HAVE MADE BEFORE THE DEMAND ARRIVED

Go back to those two Friday afternoon emails. The DTI demand with a 60-day fuse. The fraud demand with no sunset at all.

In the reactive institution, both trigger the same scramble. Someone pulls the file. Someone reads the demand letter for the first time. Nobody checks whether the defect is truly "significant." Nobody evaluates enforcement relief. Nobody runs the statute of limitations or the "clear and convincing evidence" standard on the fraud allegation. Nobody pulls the broker agreement to see whether there's a downstream indemnification claim. Nobody considers a FIRREA action against the loan officer who fabricated the income. Nobody files the SAR within 30 days. The losses are booked. The files are closed.

In the prepared institution, the protocol is already in place. The defense assessment starts Monday morning. The fraud allegation is evaluated against the "knowingly executed scheme or artifice" standard. The AI-generated paystub is documented as undetectable using contemporaneous QC technology—which may negate the "should have known" element. The broker's indemnification obligation is identified. The appraiser's E&O carrier is located. The SAR is filed on time. And outside counsel—who has handled hundreds of these demands and knows the Selling Guide cold—is on the phone before the second cup of coffee.

Brody | Gapp LLP was built for exactly this work. Our founding partners include former in-house General Counsel and senior compliance executives who have sat on the other side of the desk. Our attorneys have collectively defended more mortgage lenders against repurchase and indemnification demands than perhaps any other law firm in the country—including representation in over 70 Lehman Brothers indemnification lawsuits, more than 10 CitiMortgage cases, FDIC claims tied to the Washington Mutual receivership, and scores of additional GSE and investor claims coast to coast. We combine deep fluency in GSE remedies frameworks with the willingness to pursue third-party recovery and fraud claims that most firms do not even consider. If you have pending repurchase demands, a growing reserve balance, untested fraud exposure in your origination pipeline, or SAR compliance questions you have not yet answered—the clock is already running. We should talk.

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