STRUCTURED FINANCE ASSOCIATION

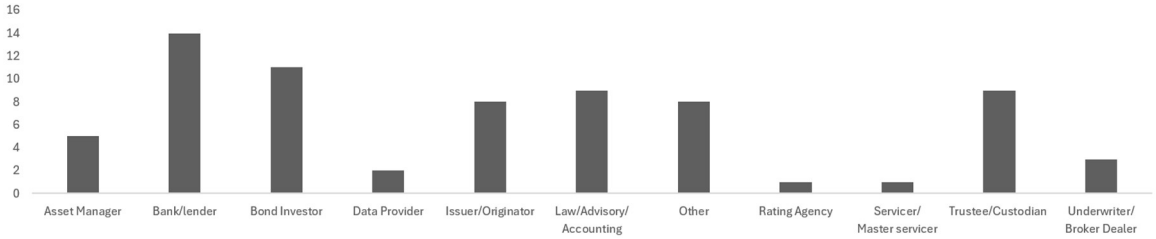
SFA Fraud Mitigation Survey Results—March 2026

SFA Fraud Mitigation Survey

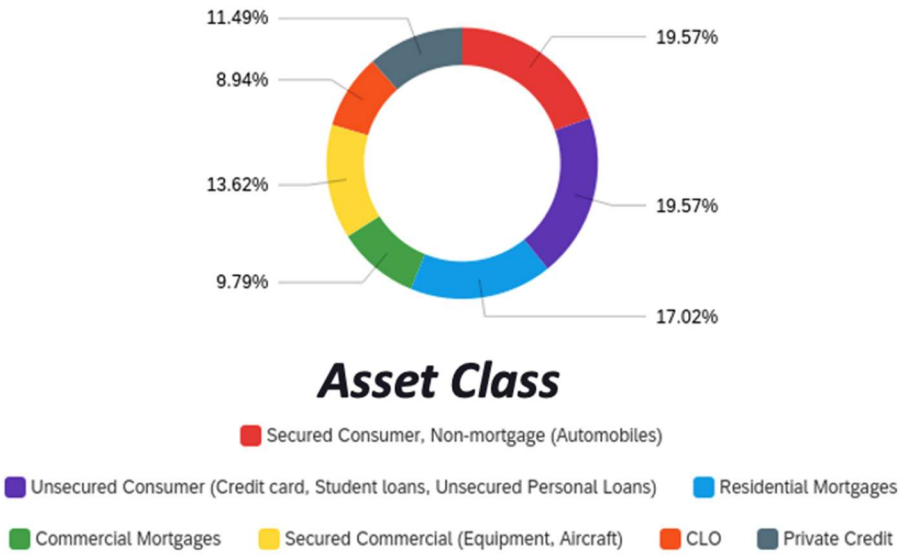
The Structured Finance Association (SFA) is committed to making securitization an efficient source of funding for the real economy. A fundamental component of that effort is maintaining market participants' confidence in the structural integrity of the securitization process. Recent cases in certain asset classes have highlighted the potential for structural fraud to occur, including double pledging, fictious loans, and altered collateral. Although such instances of structural fraud have been relatively rare in the securitization market, SFA believes that it is important to evaluate and address these risks to keep securitization functioning as effectively as possible.

To advance this effort, SFA established a Fraud Mitigation Task Force in October 2025. As an initial step, the task force developed and conducted a fraud risk survey to better understand how participants across the securitization market view the current state of fraud risk. Administered and compiled by Ernst & Young U.S. LLP, the survey received 71 responses from a broad mix of issuers, originators, trustees, investors, servicers, and other intermediaries spanning a wide range of asset classes. While the survey is not intended to be definitive, it does provide a helpful snapshot of how the industry is currently thinking about these issues.

Respondents to SFA Fraud Mitigation Survey by Market Participant Role



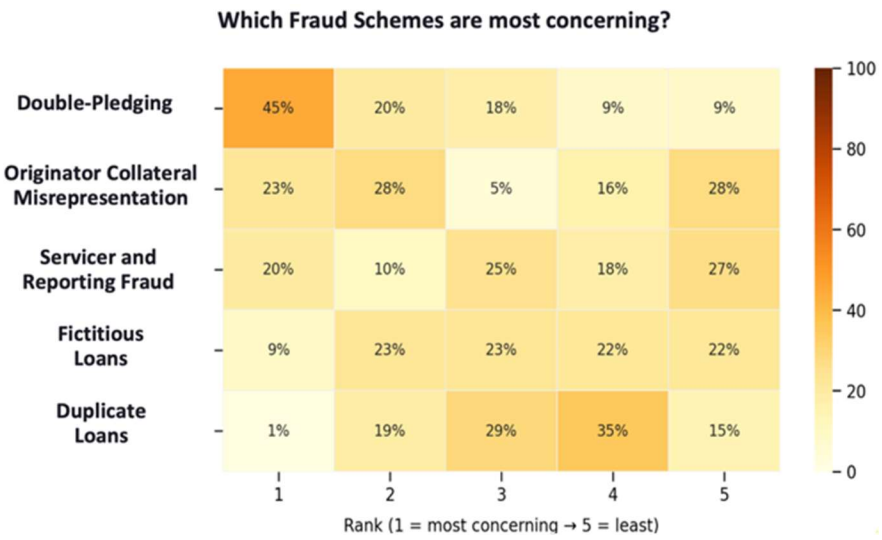
Respondents to SFA Fraud Mitigation Survey by Asset Class



Where are the Market Concerns? Where are Structural Gaps?

Market participants highlighted double-pledging of collateral as the most concerning fraud risk in securitization today. Fictitious loans and originator misrepresentation were also frequently mentioned as key fraud risks. Respondents noted that oversight and monitoring practices can vary across the stages of the process, which may create inefficiencies or gaps in transparency. Because transactions are not standardized and responsibilities can differ by party and by deal, some participants expressed a need for more clarity around each party's role throughout the lifecycle.

A key takeaway from the survey and follow-on conversations among task force members is to distinguish "structural" instances of fraud (i.e., fraud that arises from process-related gaps in the transfer, oversight, verification, and perfection of collateral) and "disclosure" elements of fraud (i.e., fraud that arises from borrower misrepresentations at origination). Task force members recommended SFA prioritize addressing and resolving structural elements of fraud arising from the operations and mechanics of securitization.

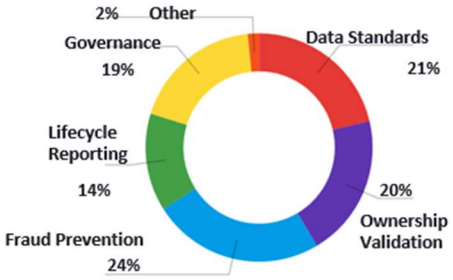


What Role can Technology Play in Fraud Detection?

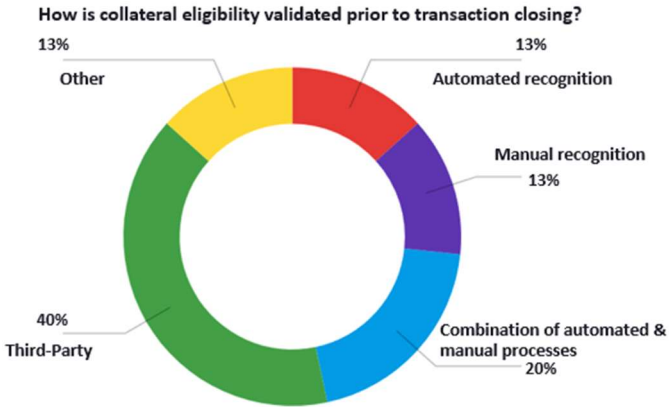
Technology emerged as another common theme, with market participants expressing interest in using automation, improved data analytics, and AI or machine learning to strengthen fraud detection. However, progress is often slowed by legacy systems and concerns about data quality and consistency. A recurring theme from survey responses and discussions is the friction between expectations for AI/machine learning solutions and the limitations of legacy systems.

As noted below, one size does not fit all. The potential for fraud varies among asset classes, perfection methods, and types of originators; these differences raise questions about how to allocate costs when benefits that may not accrue evenly to transaction parties across all asset classes. Moreover, industry participants are at different stages of technology adoption, with some firms already implementing newer tools, while others remain cautious and question how effective advanced technologies can be without better underlying data.

Where is the greatest lift for cross-industry coordination?



Several respondents also recommend exploring the concept of an authoritative "golden source" collateral record to facilitate collateral verification across the industry. While this could meaningfully reduce fraud risk, most acknowledge that achieving this would be challenging. Nevertheless, certain technological improvements could reduce costs, as many processes are currently manual or operate within legacy siloes that limit communication across platforms. Such improvement could make securitization cheaper and more efficient while also helping to mitigate fraud risk.



Are There Differences in Fraud Detection Across Asset Classes?

The responses suggest that fraud risk may be assessed somewhat differently across asset classes, particularly between RMBS and non-RMBS sectors. Early discussions indicate that some of these differences may stem from the post-financial-crisis regulatory framework, which reshaped expectations and oversight in the mortgage market. They may also reflect structural differences in how these markets operate: non-RMBS financial assets are often originated through program-specific structures, while credit performance is closely tied to broader marketing, underwriting, origination, and servicing framework. By contrast, residential mortgages tend to be more standardized and are typically priced based on underwriting characteristics, with servicing more readily transferred.

While the overall directional trends in the survey are broadly consistent, RMBS responses tend to place somewhat greater emphasis on origination-stage controls, reconciliation speed, and formal transaction documentation, along with reliance on independent third-party review. The existence of the GSEs and the Mortgage Electronic Registry System (MERS)—both of which set de facto industry standards for collateral verification—also sets RMBS apart from other asset classes. Non-RMBS respondents, by comparison, appear to rely somewhat more on third-party diligence, internal analytics, and cross-party validation of collateral ownership.

As the data continues to be examined, additional nuances are likely to emerge—particularly across different non-RMBS asset classes and loan types, where risk profiles, control frameworks, and transaction structures can differ meaningfully. These are areas SFA plans to explore further as the analysis continues and additional industry feedback is gathered.

What are the Next Steps for SFA's Fraud Mitigation Task Force?

The survey highlights several areas that the industry views as the most valuable next steps: stronger tracking of collateral throughout its lifecycle, enhanced fraud detection at origination, and improved cross-party validation of collateral ownership and control. As noted above, a recurring theme is the need to examine how these risks and controls vary across asset classes within the securitization market.

To support this work, SFA's Fraud Mitigation Task Force will diverge into asset-class working groups, beginning with Auto ABS. Consumer Loan ABS, RMBS, and CRE/CMBS will follow, allowing for a more detailed exploration of sector-specific nuances. Although the underlying collateral differs, each relies on operational and financial mechanics that move loans, cash, and information through the securitization structure—the "plumbing" of the transaction. Mapping how this plumbing functions across asset classes will help identify where verification controls should reside, where structural vulnerabilities may exist, where related verification controls could reside, and whether the market can and should adopt a unified framework to provide credit for the existence and strength of such controls. Through this deep dive, market participants will gain greater transparency into the securitization process enabling the industry, through SFA, to develop practical recommendations where needed.

Survey findings are organized across the collateral management lifecycle to show how risks and control considerations manifest as assets move end-to-end.	
Underwriting	▪ Sponsor/borrower diligence (track record, loss history) ▪ Fraud and misrepresentation checks ▪ Clarity of risk parameters (advance rates, triggers)
Eligibility	▪ Reliability of borrower-reported data ▪ Third-party dependence ▪ Independent asset-level verification (e.g., VIN, serial, title)
Booking	▪ Completeness and accuracy of collateral terms ▪ Proper capture of thresholds, eligibility rules, and call frequency
Perfection	▪ Correct perfection method and timely filings ▪ Verification of enforceability and documentation integrity
Valuation	▪ Value alignment between underwriting and third-party sources ▪ Independent valuation validation ▪ Transparent methodologies and pricing
Monitoring & maintenance	▪ Further automated monitoring and reconciliation processes ▪ Controls preventing double-pledging/over-collateralization ▪ Springing liens, step-in rights, and automatic control provisions
Data & reporting	▪ Accuracy and completeness of aggregated data ▪ Automation of reporting and straight-through-processing (STP) ▪ Reliability and timeliness of management/operational reports