Mortgage Loan Fraud
Update

Suspicious Activity Report Filings from July 1-September 30, 2010

January 2011

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Introduction

This update to FinCEN's prior Mortgage Loan Fraud (MLF) studies looks at Suspicious Activity Report (SAR) filings from July through September 2010 (2010 Q3). It provides new information on reporting activities, geographic locations, and other filing trends. Tables and illustrations of various geographies provide a breakdown of activities according to reports by activity date of recent activities versus older activities. Tables covering non-geographic aspects of 2010 third quarter (Q3) filings are compared with filings from the same period in 2009.

Summary of Filings

In 2010 Q3, filers submitted 16,693 Mortgage Loan Fraud SARs (MLF SARs),[1] a 2 percent increase in filings over the same period in 2009.[2] The total number of SARs filed in 2010 Q3 also increased by 2 percent. Nine percent of all SARs filed in 2010 Q3 indicated MLF as an activity characterization, the same percentage as the year ago Q3.[3]

Table 1: Mortgage Loan Fraud SAR Filings
Relative to All SAR Filings

	2010 Q3	2009 Q3	% Change
MLF SARs	16,693	16,339	2%
All SARs	175,717	172,125	2%
MLF SARs as a proportion of all SARs	9%	9%	0%

1. For purposes of this report, SARs and totals thereof refer only to the Suspicious Activity Report filed by depository institutions (TD F 90-22.47). Related activities reported on the Suspicious Activity Report by Money Services Business (FinCEN 109) and Suspicious Activity Report by Securities and Futures Industries (FinCEN 101) are not included in table or map totals. Percentages throughout this report are rounded to the nearest whole number.
2. Filing increases are not necessarily indicative of an overall increase in mortgage loan fraud (MLF) activities over the noted period, as the volume of SAR filings in any given period does not directly correlate to the number or timing of suspected fraudulent incidents in that period. For further explanation, see FinCEN's March 2009 report, *Mortgage Loan Fraud Connections with Other Financial Crime: An Evaluation of Suspicious Activity Reports Filed by Money Services Businesses, Securities, and Futures Firms, Insurance Companies and Casinos*, at http://www.fincen.gov/news_room/rp/files/mortgage_fraud.pdf.
3. MLF SARs have constituted 9 percent of all SARs filed since 2007 Q4. See "Mortgage Loan Fraud Update," published in *The SAR Activity Review - Trends, Tips & Issues*, Issue 16, October 2009 at http://www.fincen.gov/news_room/rp/files/sar_tti_16.pdf, page 5.

Time lapses between filing and activity dates in 2010 Q3 MLF SAR filings showed an increasing focus on older activities. In 2010 Q3, 76 percent of reported activities occurred more than 2 years prior to filing, compared to 54 percent in 2009 Q3 (Table 2).

Table 2: Mortgage Loan Fraud (MLF) SARs
Time Elapsed from Activity Date to Reporting Date[4]

Time Lapsed	*2010 Q3*	*2009 Q3*
0 - 90 days	11%	12%
90 - 180 days	5%	6%
180 days - 1 year	3%	6%
1 - 2 years	4%	22%
2 - 3 years	19%	29%
3 - 4 years	33%	17%
4 - 5 years	16%	5%
> 5 years	8%	3%

For 2009 Q3 filings, a majority of activities occurred 1 to 3 years prior to filing. For both quarters, a majority of reported activities took place between July 2006 and September 2008.[5]

4. Calculations for Table 2 derive from Part III, Field 33 and Part IV, Field 50 of the depository institution SAR form. Table 2 totals are based on commencement dates. SARs with omitted or erroneous filing and activity dates are not represented. While Field 33 allows filers to specify both a commencement date and an end date of suspicious activities, filers did not report an end date in 13 percent of 2010 Q3 MLF SARs. In previous periods, much fewer SARs included this information; hence, totals relying on activity end dates are significantly less comprehensive than those based on start dates. Further, for MLF SARs reporting multiyear activities, filers frequently relate activities involving older loans that the institution continues to hold. In numerous other reports, filers related older suspected frauds that the filer detected when the same borrower applied for a more recent loan with conflicting information on the loan application, hence their inclusion of more recent activity end dates. For these reasons, calculations herein use the activity start date rather than the activity end date.

5. FinCEN has previously reported on contributing factors that triggered loan reviews and led to the discovery of more dated suspicious activities. See *Filing Trends in Mortgage Loan Fraud Update*, February 2009, at http://www.fincen.gov/news_room/nr/pdf/20090225a.pdf.

During all periods in this review, more than 80 percent of MLF SARs involved *suspicious activity amounts* under $500,000. A quarter or less of MLF SARs disclosed *loss amounts* (18 percent in 2010 Q3 and 25 percent in 2009 Q3); most of these amounts were also under $500,000.[6] Consistent with previous periods, a relatively small number of MLF SARs (28 filings) included recovered amounts in 2010 Q3.

Table 3: Mortgage Loan Fraud (MLF) SARs
Reported Amounts[7] of: (1) Suspicious Activity and (2) Loss Prior to Recovery[7]

		< $100K	$100K - $250K	$250K - $500K	$500K - $1M	$1M - $2M	> $2M	Not indicated
(1) SARs reporting **suspicious activity amounts**	2010 Q3	2,902	6,126	5,306	1,535	424	315	85
		17%	37%	32%	9%	3%	2%	1%
	2009 Q3	2,693	5,713	5,154	1,769	482	313	215
		16%	34%	31%	11%	3%	2%	1%
(2) SARs reporting **loss amounts**	2010 Q3	1,409	977	482	130	38	17	13,640
		8%	6%	3%	1%	-	-	82%
	2009 Q3	2,156	1,275	520	148	38	26	12,176
		13%	8%	3%	1%	-	-	75%

6. Filers indicated recovery amounts in only 28 MLF SARs. Consequently this information is not included in Table 3. Percentages under 1% are omitted or indicated with a hyphen in this report.

7. The amount of suspicious activity, loss prior to recovery, and recovery are reported in Part III of the SAR form, Fields 34, 36, and 37.

Relationships of Subjects

Filers categorized over half of subjects in 2010 Q3 as "Borrower" and over a quarter as "Other."[8] In addition, filers described 9 percent as "Broker" and 5 percent as "Customer" (Table 4).

Table 4: Mortgage Loan Fraud SAR Subjects
Relationship to Reporting Institution

Relationship to Filer[9]	2010 Q3		2009 Q3	
Borrower	14,741	(52%)	13,108	(48%)
Broker	2,482	(9%)	2,605	(10%)
Customer	1,370	(5%)	2,354	(9%)
Appraiser	1,675	(6%)	1,632	(6%)
Employee	192	(1%)	182	(1%)
Agent	175	(1%)	140	-
Attorney	44	-	86	-
Officer	35	-	45	-
Director	1	-	41	-
Accountant	9	-	22	-
Other[10]	7,682	(27%)	7,147	(26%)

8. Where applicable, a filer may report one or more subjects in Part II of the SAR. Subject totals in this report represent *total name variations* rather than unique individuals, without consideration for alternate spellings, aliases, identically named subjects, or those with multiple addresses.

9. The "Relationship of the Subject to the Financial Institution" is reported in Part II, Field 30 of the SAR form. For each subject, a filer may report one or more "Relationship of the Subject to the Financial Institution," where applicable.

10. "Other" is a catchall category that is available to filers to report a relationship that does not fall under any of those specified in Part II, Field 30 of the SAR. For an explanation of the characterization of "Other," see *The SAR Activity Review - Trends, Tips & Issues*, Issue 16, October 2009, Section Two "Mortgage Loan Fraud Update" found at http://www.fincen.gov/news_room/rp/files/sar_tti_16.pdf.

Subject Locations

The following tables rank states, metropolitan areas and counties based on number of subjects in 2010 Q3 SARs with suspicious activity dates before and after January 1, 2008. The state and metropolitan area tables and maps also show rankings based on numbers of subjects per capita, to highlight areas where MLF activity is greater relative to the population size.

By State

In 2010 Q3, California and Florida were the highest ranked states based on total numbers of subjects, followed by New York and Illinois. Florida had the highest number of MLF subjects per capita, followed by California, Nevada and Arizona (Table 5).

Table 5: Mortgage Loan Fraud SAR Filings in 2010 Q3[11]
Subjects by State

State	Activity Earlier than January 1, 2008[12]	Activity On or After January 1, 2008[13]	All MLF SARs Filed in 2010 Q3[11]	Rank by Total MLF Subjects (Activity on or After January 1, 2008)[13]	Rank by MLF Subjects Per Capita (Activity on or After January 1, 2008)[13]
FL	4,215	1,189	5,404	2	1
CA	5,131	2,045	7,176	1	2
NV	542	135	677	14	3
AZ	955	319	1,274	7	4
IL	1,220	531	1,751	4	5
UT	168	106	274	20	6
NY	1,057	755	1,812	3	7
GA	607	361	968	6	8
NJ	656	317	973	8	9

11. Based on subjects contained in MLF SARs filed during 2010 Q3.
12. Based on subjects contained in MLF SARs filed during 2010 Q3 with suspicious activity date from Part III, Field 33 of the depository institution SAR form earlier than January 1, 2008.
13. Based on subjects contained in MLF SARs filed during 2010 Q3 with suspicious activity date from Part III, Field 33 of the depository institution SAR form on or after January 1, 2008.

State	Activity Earlier than January 1, 2008[12]	Activity On or After January 1, 2008[13]	All MLF SARs Filed in 2010 Q3[11]	Rank by Total MLF Subjects (Activity on or After January 1, 2008)[13]	Rank by MLF Subjects Per Capita (Activity on or After January 1, 2008)[13]
NC	277	150	427	13	10
MD	350	186	536	11	11
WA	335	204	539	10	12
HI	65	41	106	29	13
DC	22	15	37	40	14
ID	96	39	135	32	15
OR	169	91	260	23	16
CO	303	107	410	19	17
RI	32	24	56	38	18
MN	400	116	516	18	19
MI	547	211	758	9	20
AK	9	14	23	42	21
VA	408	157	565	12	22
CT	123	70	193	25	23
MA	182	119	301	16	24
TX	694	423	1,117	5	25
WI	155	97	252	21	26
MO	202	96	298	22	27
SC	150	66	216	26	28
AR	125	39	164	32	29
WY	11	7	18	49	30
NH	25	18	43	39	31
VT	9	8	17	46	32
MS	52	36	88	34	33
TN	159	72	231	24	34
IA	30	33	63	36	35
KS	102	30	132	37	36
LA	70	48	118	28	37
DE	24	9	33	45	38
IN	202	65	267	27	39

State	Activity Earlier than January 1, 2008[12]	Activity On or After January 1, 2008[13]	All MLF SARs Filed in 2010 Q3[11]	Rank by Total MLF Subjects (Activity on or After January 1, 2008)[13]	Rank by MLF Subjects Per Capita (Activity on or After January 1, 2008)[13]
OH	371	117	488	17	40
OK	63	36	99	34	41
PA	292	123	415	15	42
KY	69	40	109	31	43
AL	112	41	153	29	44
SD	16	7	23	49	45
NE	19	15	34	40	46
MT	20	8	28	46	47
ME	22	11	33	44	48
NM	49	14	63	42	49
WV	23	8	31	46	50
ND	1	1	2	51	51

By Metropolitan Statistical Area

Within metropolitan areas, New York ranked highest in the number of MLF subjects with activity dates after January 1, 2008, and Miami ranked highest based on activity dates before January 1, 2008.

Within the 50 most populous metropolitan areas, Miami ranked highest in terms of subjects per capita after January 1, 2008, followed by San Jose, Riverside, and Orlando.

Table 6: Mortgage Loan Fraud SAR Filings in 2010 Q3[14]
Subjects in the 50 Largest Metropolitan Statistical Areas (MSAs)[15]

Metropolitan Area	Activity Earlier than January 1, 2008[16]	Activity On or After January 1, 2008[17]	All MLF SARs Filed in 2010 Q3[14]	Rank by Total MLF Subjects (Activity on or After January, 2008)[17]	Rank by MLF Subjects Per Capita (Activity on After January 1, 2008)[17]
Miami-Fort Lauderdale-Pompano Beach, FL	2,395	644	3,039	3	1
San Jose-Sunnyvale-Santa Clara, CA	265	133	398	16	2
Riverside-San Bernardino-Ontario, CA	742	295	1,037	6	3
Orlando-Kissimmee, FL	528	142	670	11	4
Las Vegas-Paradise, NV	478	126	604	17	5
Los Angeles-Long Beach-Santa Ana, CA	1,891	830	2,721	2	6
Phoenix-Mesa-Scottsdale, AZ	811	242	1,053	7	7
Chicago-Naperville-Joliet, IL-IN-WI	1,203	526	1,729	4	8
Atlanta-Sandy Springs-Marietta, GA	519	300	819	5	9

14. Based on subjects contained in MLF SARs filed during 2010 Q3.
15. Metropolitan Statistical Areas (MSAs) are based on July 1, 2009 definitions and population estimates from U.S. Census Bureau at http://www.census.gov/popest/metro/CBSA-est2009-annual.html.
16. Based on subjects contained in MLF SARs filed during 2010 Q3 with suspicious activity date from Part III, Field 33 of the depository institution SAR form earlier than January 1, 2008.
17. Based on subjects contained in MLF SARs filed during 2010 Q3 with suspicious activity date from Part III, Field 33 of the depository institution SAR form on or after January 1, 2008.

Metropolitan Area	Activity Earlier than January 1, 2008[16]	Activity On or After January 1, 2008[17]	All MLF SARs Filed in 2010 Q3[14]	Rank by Total MLF Subjects (Activity on or After January, 2008)[17]	Rank by MLF Subjects Per Capita (Activity on After January 1, 2008)[17]
San Francisco-Oakland-Fremont, CA	591	231	822	9	10
Salt Lake City, UT	87	57	144	26	11
New York-Northern New Jersey-Long Island, NY-NJ-PA	1,508	950	2,458	1	12
San Diego-Carlsbad-San Marcos, CA	500	151	651	10	13
Sacramento--Arden-Arcade--Roseville, CA	266	93	359	21	14
Washington-Arlington-Alexandria, DC-VA-MD-WV	503	239	742	8	15
Tampa-St. Petersburg-Clearwater, FL	409	115	524	18	16
Jacksonville, FL	128	54	182	27	17
Seattle-Tacoma-Bellevue, WA	239	138	377	12	18
Denver-Aurora-Broomfield, CO	200	79	279	23	19
Detroit-Warren-Livonia, MI	398	136	534	14	20
Minneapolis-St. Paul-Bloomington, MN-WI	360	100	460	20	21
Milwaukee-Waukesha-West Allis, WI	81	46	127	29	22
Raleigh-Cary, NC	35	30	65	35	23
Baltimore-Towson, MD	97	68	165	25	24
St. Louis, MO-IL	125	71	196	24	25
Portland-Vancouver-Beaverton, OR-WA	112	54	166	27	26
Houston-Sugar Land-Baytown, TX	250	137	387	13	27
Charlotte-Gastonia-Concord, NC-SC	118	40	158	31	28
Austin-Round Rock, TX	37	38	75	32	29

Metropolitan Area	Activity Earlier than January 1, 2008[16]	Activity On or After January 1, 2008[17]	All MLF SARs Filed in 2010 Q3[14]	Rank by Total MLF Subjects (Activity on or After January, 2008)[17]	Rank by MLF Subjects Per Capita (Activity on After January 1, 2008)[17]
Dallas-Fort Worth-Arlington, TX	325	134	459	15	30
Cleveland-Elyria-Mentor, OH	99	43	142	30	31
New Orleans-Metairie-Kenner, LA	41	24	65	38	32
Memphis, TN-MS-AR	70	26	96	36	33
Providence-New Bedford-Fall River, RI-MA	48	31	79	33	34
Boston-Cambridge-Quincy, MA-NH	131	83	214	22	35
Indianapolis-Carmel, IN	87	31	118	33	36
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	178	103	281	19	37
Louisville-Jefferson County, KY-IN	43	19	62	41	38
Columbus, OH	70	25	95	37	39
Hartford-West Hartford-East Hartford, CT	32	16	48	45	40
Richmond, VA	61	16	77	45	41
Birmingham-Hoover, AL	63	14	77	49	42
Oklahoma City, OK	19	15	34	48	43
Nashville-Davidson--Murfreesboro--Franklin, TN	39	18	57	43	44
Virginia Beach-Norfolk-Newport News, VA-NC	52	17	69	44	45
Kansas City, MO-KS	160	20	180	40	46
Pittsburgh, PA	100	22	122	39	47
San Antonio, TX	24	19	43	41	48
Cincinnati-Middletown, OH-KY-IN	70	16	86	45	49
Buffalo-Niagara Falls, NY	11	6	17	50	50

By County

At the county level, Los Angeles had the most subjects with suspicious activity dates after January 1, 2008, while Miami-Dade had the most subjects with activity dates before January 1, 2008 (Table 7).

Table 7: Mortgage Loan Filings in 2010 Q3[18]
Subjects by County

County	State	Activity Earlier than January 1, 2008[19]	Activity On or After January 1, 2008[20]	All MLF SARs Filed in Q3[18]	Rank for Activities On or After January 1, 2008[20]
Los Angeles	CA	1,352	615	1,967	1
Miami-Dade	FL	1,380	404	1,784	2
Cook	IL	842	356	1,198	3
Maricopa	AZ	794	236	1,030	4
Queens	NY	223	216	439	5
Orange	CA	539	215	754	6
Kings	NY	224	173	397	7
Riverside	CA	411	155	566	8
San Diego	CA	500	151	651	9
Broward	FL	684	142	826	10
San Bernardino	CA	331	140	471	11
Santa Clara	CA	250	133	383	12
Clark	NV	478	126	604	13
Nassau	NY	153	117	270	14
Palm Beach	FL	331	98	429	15
Harris	TX	181	91	272	16
Alameda	CA	208	91	299	16
Orange	FL	344	89	433	18
King	WA	142	78	220	19
Gwinnett	GA	119	76	195	20
Contra Costa	CA	210	74	284	21
Fulton	GA	121	66	187	22
Suffolk	NY	162	65	227	23

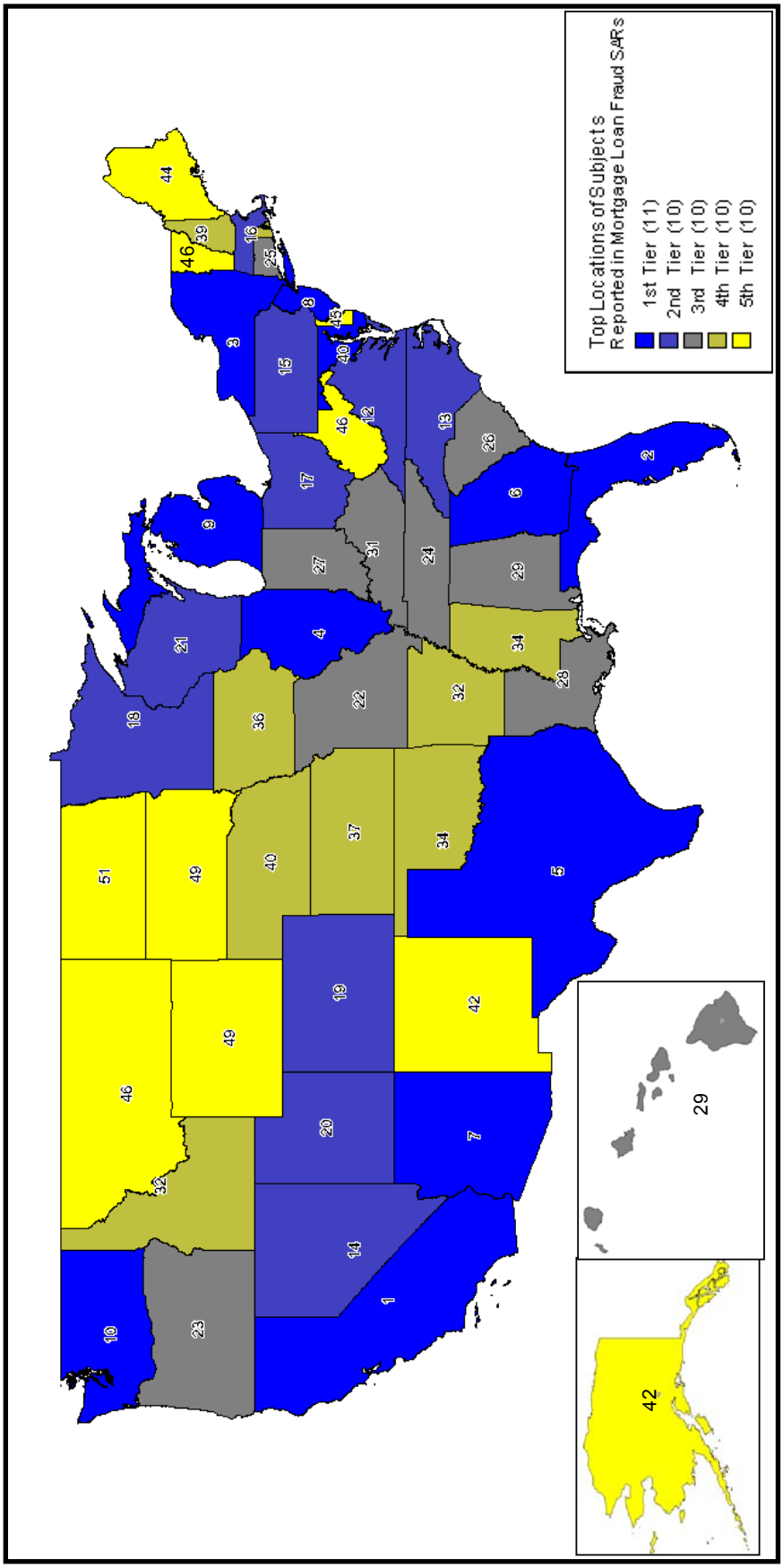
18. Based on subjects contained in MLF SARs filed during 2010 Q3.
19. Based on subjects contained in MLF SARs filed during 2010 Q3 with suspicious activity date from Part III, Field 33 of the depository institution SAR form earlier than January 1, 2008.
20. Based on subjects contained in MLF SARs filed during 2010 Q3 with suspicious activity date from Part III, Field 33 of the depository institution SAR form on or after January 1, 2008.

County	State	Activity Earlier than January 1, 2008[19]	Activity On or After January 1, 2008[20]	All MLF SARs Filed in Q3[18]	Rank for Activities On or After January 1, 2008[20]
Oakland	MI	172	64	236	24
Sacramento	CA	181	61	242	25
Hillsborough	FL	233	60	293	26
Hennepin	MN	151	56	207	27
Montgomery	MD	118	53	171	28
Salt Lake	UT	80	53	133	28
DuPage	IL	115	53	168	28
Wayne	MI	145	52	197	31
Fairfax	VA	103	51	154	32
San Mateo	CA	92	50	142	33
Dallas	TX	127	46	173	34
Duval	FL	90	46	136	34
Bergen	NJ	110	43	153	36
DeKalb	GA	71	43	114	36
New York	NY	47	42	89	38
Prince George's	MD	95	40	135	39
Cobb	GA	53	40	93	39
Union	NJ	64	40	104	39
San Joaquin	CA	72	40	112	39
Pierce	WA	37	39	76	43
Middlesex	NJ	56	38	94	44
Monmouth	NJ	33	37	70	45
Lake	IL	67	36	103	46
Pinellas	FL	129	33	162	47
Cuyahoga	OH	85	33	118	47
St. Louis	MO	58	32	90	49
Pima	AZ	54	32	86	49
Tarrant	TX	110	32	142	49

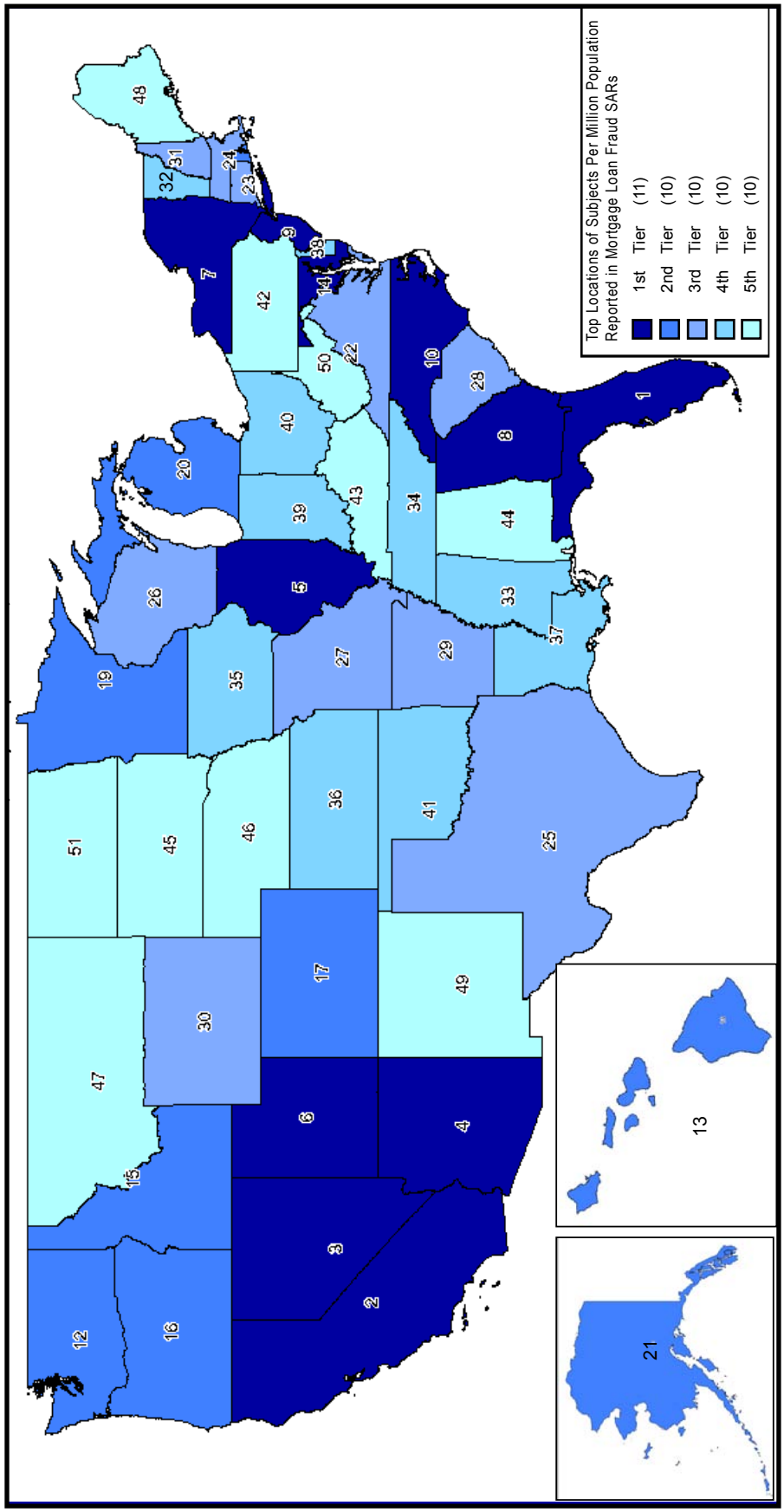
The following maps show mortgage fraud geographic concentrations reported in 2010 Q3 for activities occurring on or after January 1, 2008. Maps show subjects by state and metropolitan area, with concentrations based on the number of subjects and the number of subjects per capita.[21]

21. Numeric ranges presented in the metropolitan area maps may vary from quarter to quarter based on the number of MLF SARs submitted by filers.

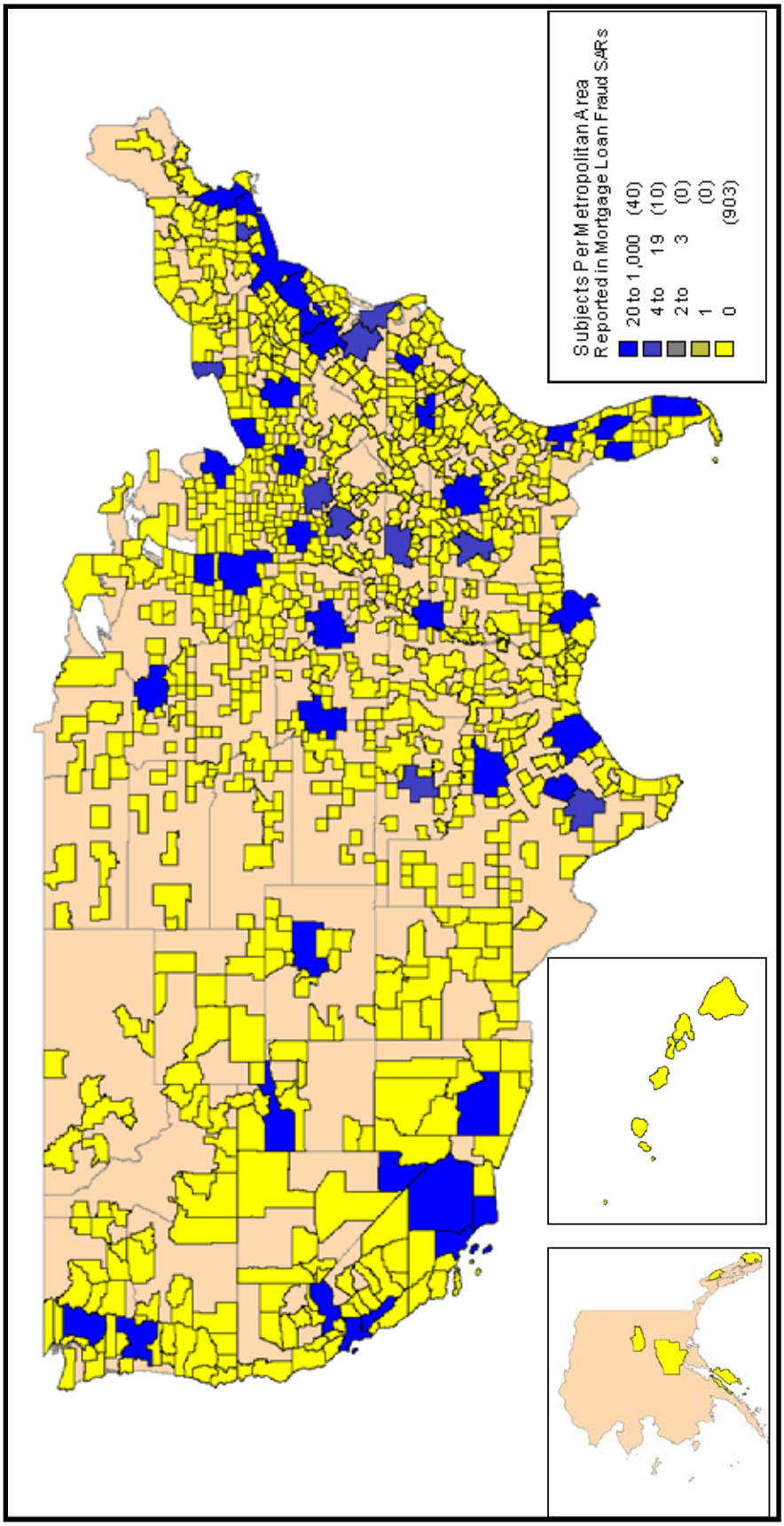
Mortgage Loan Fraud SAR Subjects
State Location Ranks, July – September, 2010



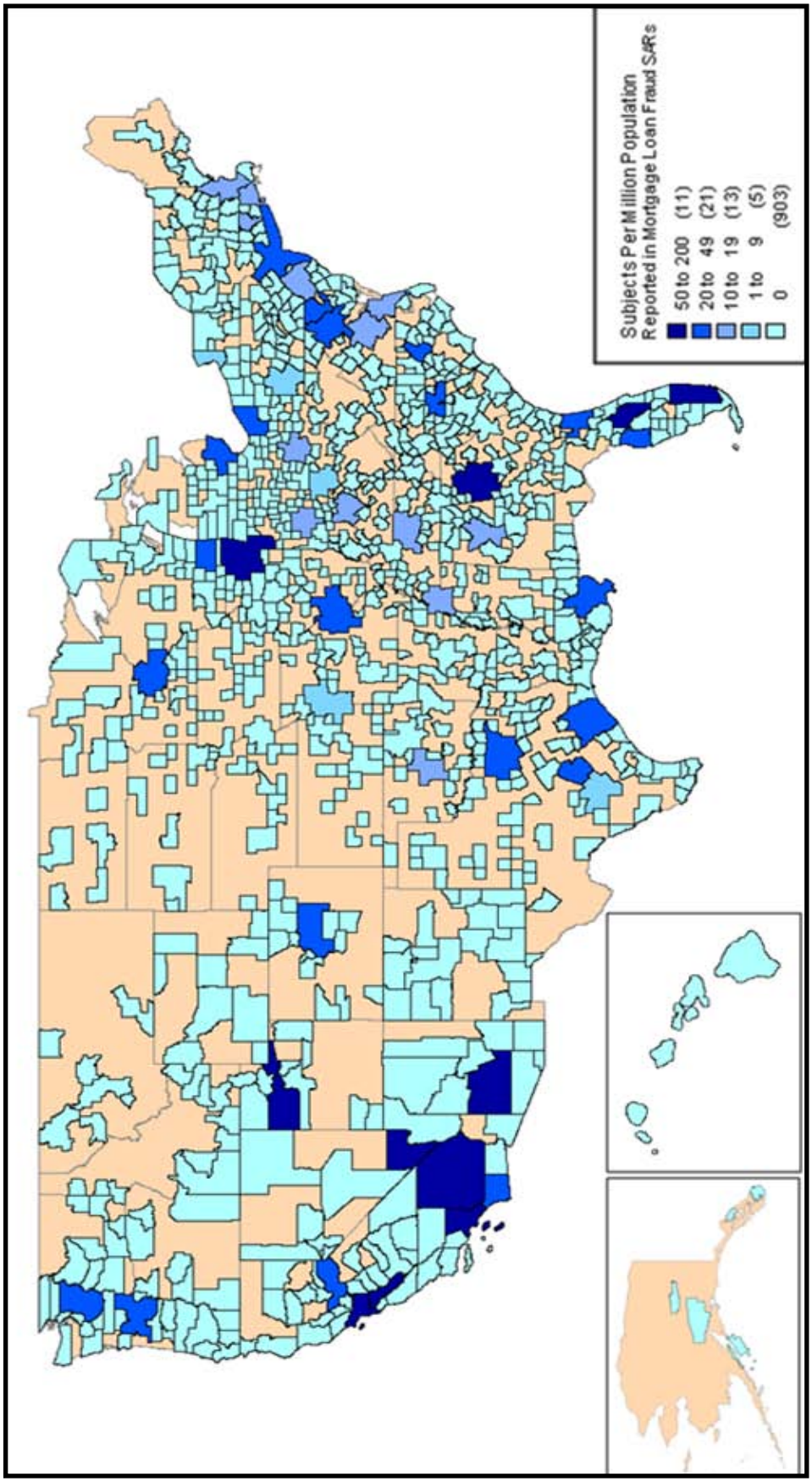
Mortgage Loan Fraud SAR Subjects Per Capita
State Location Ranks, July – September, 2010



Mortgage Loan Fraud SAR Subjects
Top Metropolitan Areas, July – September, 2010



Mortgage Loan Fraud SAR Subjects Per Capita
Top Metropolitan Areas, July – September, 2010



Reported Activities

Filers most frequently cited "False Statement" as another listed activity, including this characterization in 17 percent of MLF SARs during 2010 Q3 (Table 8). However, this was a decline from 2009 Q3, when "False Statement" was a secondary activity in 26 percent of MLF SARs.

Table 8: Mortgage Loan Fraud SARs
Suspicious Activity Characterizations

Activity	2010 Q3		2009 Q3	
Mortgage Loan Fraud	16,693	100%	16,339	100%
False Statement	2,896	17%	4,183	26%
Other	734	4%	317	2%
Identity Theft	510	3%	331	2%
BSA/Structuring/Money Laundering	132	1%	97	1%
Wire Transfer Fraud	128	1%	67	-
Misuse of Position/Self Dealing	66	-	64	-
Consumer Loan Fraud	29	-	-	-
Commercial Loan Fraud	28	-	27	-
Counterfeit Instrument	28	-	6	-
Check Fraud	23	-	25	-
Defalcation/Embezzlement	21	-	27	-
Counterfeit Check	11	-	12	-
Check Kiting	9	-	6	-
Bribery/Gratuity	7	-	2	-
Debit Card Fraud	2	-	1	-
Credit Card Fraud	2	-	8	-
Counterfeit Credit / Debit Card	1	-	2	-
Terrorist Financing	-	-	1	-
Computer Intrusion	-	-	1	-

Filers and Reported Primary Federal Regulators

In 2010 Q3, filers with 416 different Employer Identification Numbers (EINs) submitted 16,693 MLF SARs, a 2 percent increase in filings from 2009 Q3.

Filers that indicated the Office of the Comptroller of the Currency (OCC) as their primary Federal regulatory authority submitted 80 percent of MLF SARs during 2010 Q3. This was an increase from corresponding filings in 2009 Q3 (70 percent). These filers comprised 17 percent of all institutions that filed MLF SARs during 2010 Q3.

Filers that indicated the Federal Deposit Insurance Corporation (FDIC) as their primary Federal regulatory authority submitted 3 percent of MLF SARs during 2010 Q3. For the quarter, these filers comprised 36 percent of all institutions that filed MLF SARs.

Filers that indicated the Office of Thrift Supervision as their primary Federal regulatory authority showed a decrease in filings, submitting 6 percent of MLF SARs in 2010 Q3, down from 9 percent in 2009 Q3. Filings also decreased from filers indicating the Federal Reserve Board (FRB) as their primary regulator, at 10 percent of 2010 Q3 reports, down from 16 percent in 2009 Q3.

Table 9: Mortgage Loan Fraud SARs - Reported Primary Federal Regulators							
		OCC	***FRB***	***OTS***	***FDIC***	***NCUA***	***FHFA***[22]
2010 Q3	Total MLF SARs indicating Primary Regulator	13,386 80%	1,669 10%	993 6%	450 3%	58 -	114 1%
2009 Q3		11,378 70%	2,686 16%	1,447 9%	554 3%	96 1%	164 1%
2010 Q3	Total Filers Indicating Primary Regulator[23]	71 17%	73 18%	75 18%	147 36%	46 11%	-
2009 Q3		81 18%	61 14%	87 20%	148 34%	64 15%	-

22. The Federal Housing Finance Agency (FHFA), which is the Federal regulator for Fannie Mae, Freddie Mac and the Federal Home Loan Banks, has established a process for the companies to report possible mortgage fraud to FHFA, which in turn files depository institution SARs with FinCEN.

23. Filer counts are based on unique filer EINs reported in the SARs. As some businesses may use the same EIN for multiple branches or process all SARs at centralized locations for the entire organization, the total does not represent individual branch locations involved in detecting suspicious activities.

Current Issues

The SAR form allows filers to provide additional clarifying information on suspicious activities that do not fall under standard classifications (in Part III, Field 35s). While only a fraction of MLF SARs list these "Other" activity characterizations (two percent between October 1, 2009 and September 30, 2010, i.e. fiscal year 2010), many of these SARs provide very detailed descriptions with greater nuance into specific suspicious activities observed by filers.

In fiscal year 2010, filers submitted 2,480 MLF SARs that described "other" suspicious activities concurrently with mortgage loan fraud. Table 10 classifies those activities based on key words used by filers. Half of all "Other" characterizations, or 1,178 MLF SARs, involved debt elimination scams, while 11 percent cited misuse of Social Security numbers. Other common terms reflected suspected activities involving misrepresentations, foreclosure rescue or loan modification scams, and the defrauding of federal housing stability programs.

Table 10: Mortgage Loan Fraud SARs
Characterizations of "Other" Suspicious Activity[24]

Debt elimination scam	50%		Occupancy fraud	1%
Misrepresentation of income or employment	13%		Straw buyer	1%
SSN fraud or theft	11%		Appraisal fraud	1%
Loan modification fraud	9%		Undisclosed	1%
Foreclosure rescue scams	3%		Property flip	1%
Fraud against federal housing recovery programs	3%		Ponzi scheme	-
Forgery	3%		Unauthorized account access	-
Short sale fraud	1%		Notary fraud	-
Tax evasion	1%			-

24. Two percent of MLF SARs in FY 2010 included "Other" suspicious activity characterizations in Field 35s.

FinCEN has previously reported on debt elimination schemes, most recently in its June 2010 publication Mortgage Loan Fraud: Loan Modification and Foreclosure Rescue Scams.[25] The report addressed advance fee scams for debt elimination in which third party perpetrators fraudulently promised to obtain mortgage loan forgiveness from financial institutions for borrowers.

For this report, FinCEN analysts reviewed the narratives of a representative sample of 305 MLF SARs where filers indicated debt elimination scams as an "Other" suspicious activity and found 95 percent cited the borrower or a family member as the principal or sole subject, while 5 percent identified a third party as the principal subject.

In 78 percent of the sample, filers noted subjects sent letters containing spurious, frivolous legal challenges to terms and conditions of their mortgage loans, while 16 percent involved unusual documents of dubious validity sent by the subjects. Contents of the packages varied, including legal documents such as Power of Attorney, Notice of Intention to Modify Deed of Trust, Release of Lien on Real Property, Private Notice of Default, and Release of Personal Property from Escrow. Some packages also included fraudulent payment methods, such as fictitious "bonded promissory notes," fraudulent cashiers' checks, or other worthless monetary instruments. Various subjects declared mortgages null and void based on perceptions that lenders violated the National Currency Act of 1863[26] or engaged in recent well-publicized improper lending practices. The remaining six percent of sample filings included a fraudulent payment method without proper documentation typically included in valid loan packages, and one civil suit by the borrower against the filer.

In many of the sampled SAR narratives, filers also referenced the Federal Reserve Board's 2004 warning about debt elimination schemes.[27]

Relative to population, the highest concentration of sampled subjects was in the West, with 34 percent in California, 5 percent in Washington, 4 percent each in Arizona and Nevada, 2 percent each in Colorado, Hawaii, Oregon, and Utah, and 1 percent in Idaho. The median suspicious activity amount in the sample was about $250,839, consistent with the average for mortgage loan fraud SARs reviewed for this study.

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25. http://www.fincen.gov/news_room/rp/files/MLFLoanMODForeclosure.pdf.
26. See http://www.fdic.gov/about/learn/learning/when/1850-1899.html.
27. Federal Reserve Board Supervision and Regulation Letter www.federalreserve.gov/boarddocs/srletters/2004/sr0403.htm.

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