Financial Crimes Enforcement Network
A bureau of the U.S. Department of the Treasury

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California, Nevada, Florida Top Mortgage Fraud SAR List

Criminals Continuing Debt Elimination and Foreclosure Rescue Scams

VIENNA, Va. – The Financial Crimes Enforcement Network today released its **First Quarter 2012 Update** of mortgage loan fraud suspicious activity reports (MLF SARs) that shows California, Nevada, and Florida leading the nation in the number of MLF SAR subjects per capita. Of the 50 most populous Metropolitan Statistical Areas (MSAs) ranked by the number of MLF SAR subjects reported, the top nine are MSAs located in California, Nevada, and Florida, with the Los Angeles-Long Beach-Santa Ana area ranked first in the nation.

Nineteen percent of Q1 MLF SARs report activity that occurred within the past two years. Of this more recent activity, there were sharp increases in debt elimination schemes (14 percent of this reporting in Q1 2012 versus 9 percent in 2011) and other foreclosure rescue scams (8 percent of these Q1 filings versus less than 2 percent in 2011). Financial institutions filed 17,651 MLF SARs in the first quarter of 2012 down from 25,485 filed in the same quarter of 2011. Previous record levels were attributable to mortgage loan repurchase demands prompting reviews of dated mortgages. This trend continues, though diminished, as 72 percent of Q1 filings still report suspicious activity that occurred more than four years ago.

"We must remain vigilant against criminals trying to take advantage of struggling homeowners and markets trying to recover," said FinCEN Director James H. Freis, Jr. "Suspicious activity reports (SARs) reported to FinCEN are a tremendous tool to flag new criminal techniques, trends, and patterns, and to help identify and hold accountable those involved in organized and repeated criminal schemes."

Echoing similar results from 2011, 41 percent of those transactions were spotted and stopped before completion indicating the increased awareness and vigilance of financial professionals.

As an example of a newly reported suspected criminal activity, a financial professional suspected arson on a rental property insured for several times the mortgaged value. The subject repaid his mortgage loan with insurance proceeds and pocketed the additional insurance money.

FinCEN's ongoing work directly supports criminal investigations and prosecutions, including in connection with the Financial Fraud Enforcement Task Force (FFETF) and recently the Residential Mortgage-Backed Securities Working Group. President Obama created the FFETF by executive order in November 2009 to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. FinCEN serves together with the Justice Department's Executive Office for United States Attorneys as co-chair of the FFETF's Training and Information Sharing Committee. With more than 20 Federal agencies, 94 U.S. Attorneys' Offices and State and local partners, it is the broadest coalition of law enforcement, investigatory, and regulatory agencies ever assembled to combat fraud and bring to bear a powerful array of criminal and civil enforcement resources. Learn more about the FFETF at www.stopfraud.gov.

FinCEN continues to act to close regulatory gaps that unaddressed could allow increased criminal abuse of the housing finance system. Final regulations that require non-bank residential mortgage lenders and originators to establish anti-money laundering (AML) programs and file (SARs) become effective on August 13, 2012. Proposed regulations that would require the government-sponsored enterprises (GSEs) Fannie Mae, Freddie Mac, and the Federal Home Loan Banks to develop AML programs and file SARs are pending finalization. For further information on FinCEN's efforts to combat mortgage loan fraud, see the Mortgage and Real Estate Fraud section on www.FinCEN.gov.

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FinCEN's mission is to enhance the integrity of financial systems by facilitating the detection and deterrence of financial crime.