Financial Crimes Enforcement Network

A bureau of the U.S. Department of the Treasury

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FinCEN Attributes Increase in Suspicious Activity Reports Involving Mortgage Fraud to Repurchase Demands

VIENNA, Va. – The Financial Crimes Enforcement Network (FinCEN) today, in its **First Quarter 2011 Mortgage Loan Fraud (MLF) analysis**, reported that the number of MLF suspicious activity reports (SARs) rose to 25,485 up 31 percent from 19,420 in the first quarter of 2010. FinCEN attributes the increase to large mortgage lenders conducting additional reviews after receiving demands to repurchase poorly performing mortgage loans. In the first quarter of 2011, 86 percent of MLF SARs reported activities which occurred more than two years prior to the filing of the SARs.

The analysis also found that California dominated the top mortgage fraud rankings. Miami dropped to the sixth most reported area after five years in the top two ranks.

"A substantial majority of reports involved activities which occurred in 2006-2007, an indication that the industry is slowly making its way through the most problematic mortgages," said FinCEN Director James H. Freis, Jr. "FinCEN will continue to closely track SAR data related to mortgage fraud and work closely with the U.S. Trustee's Office, Federal Deposit Insurance Corporation, Federal Trade Commission, and National Association of Attorneys General to investigate and prosecute those perpetrating debt elimination scams and to protect consumers and financial institutions from scammers."

In its first quarter 2011 analysis, FinCEN notes that SAR filers describe numerous fake documents and payment methods that customers and third parties submitted to financial institutions in attempts to have their mortgage obligations eliminated.

FinCEN also reported that a review of close to 70 SARs filed less than 90 days from the suspicious incident found activities such as loan modification and foreclosure rescue scams, flopping, and falsified claims of identity theft. Flopping occurs when a foreclosed property is sold at an artificially low price to a straw buyer, who quickly sells the property at a higher price and pockets the difference.

Note to reporters: FinCEN recently added new features to its quarterly mortgage loan fraud analysis that provide data and explanations of MLF SARs. Among these features are:

- More concise MLF SARs information on all 50 states and the District of Columbia provided by links to spreadsheets.
- An expanded metadata section containing reference information on the derivation and uses of this data.
- Historical quarterly data going back through 2006 for almost 600 metropolitan statistical areas and approximately 960 counties in addition to the states data.
- Trend analysis enabled by linking to electronic spreadsheets and to historical data.
- Ability to drill down to the county or city level revealing more concise information.
- Maps: Calendar year SAR data provides a new perspective on year-over-year changes enabling more illustrative comparisons with prior years' data.

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FinCEN's mission is to enhance U.S. national security, deter and detect criminal activity, and safeguard financial systems from abuse by promoting transparency in the U.S. and international financial systems.