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

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# FinCEN Reports Mortgage Fraud SARs Increased in 2011 Even as Fourth Quarter Level Decreased

VIENNA, Va. – The Financial Crimes Enforcement Network today released its **full year 2011 update** of mortgage loan fraud reported suspicious activity reports (MLF SARs) that shows financial institutions submitted 92,028 MLF SARs last year, a 31 percent increase over the 70,472 submitted in 2010. The increase can primarily be attributable to mortgage repurchase demands.

Financial institutions submitted 17,050 MLF SARs in the 2011 fourth quarter, a 9 percent decrease in filings over the same period in 2010 when financial institutions filed 18,759 MLF SARs. While too soon to call a trend, the fourth quarter of 2011 was the first time since the fourth quarter of 2010 when filings of MLF SARs had fallen from the previous year. FinCEN also updated its SAR data sets used in the report.

The report also provides clues that there is significant improvement in mortgage lending due diligence since the height of the housing bubble. For example, 40 percent of MLF SAR narratives, where SAR filers provide details of why an activity appears suspicious, indicated the filing institution turned down the subject's loan application, short sale request, or debt elimination attempt because of the suspected fraud reported in the SAR.

"The FinCEN report shows we're seeing financial institutions spotting activity that appears to be fraud before it happens and in the process, helping to prevent it," said FinCEN Director James H. Freis, Jr. "Even though we're seeing the market work through its backlog of the book of business now in default, FinCEN data is revealing possible fraud that institutions are using to help defeat scammers."

For instance, in the majority of income fraud-related SARs, filers detected a misrepresentation before funding a loan request, based on record checks during the underwriting process, and declined the application. Additionally, in all of the debt elimination SARs, filers recognized that documents submitted to cancel mortgage obligations or pay off loan balances were invalid, and communicated to customers that their mortgages were still due.

In 2011, 84 percent of reported activities occurred more than two years prior to filing, compared to 77 percent in 2010. In 2011 fourth quarter, 80 percent of reported activities occurred more than two years prior to filing, compared to 82 percent in 2010 fourth quarter.

FinCEN also released per capita rankings of MLF SARs subjects by state and by county. The top five counties ranked per capita and by MLF SAR subjects in 2011 were Santa Clara County, California; Orange County, California, Riverside County, California, Broward County, Florida and, Los Angeles. The top five states ranked by per capita and by SAR subject in 2011 were: California, Hawaii, Florida, Nevada, and the District of Columbia (D.C. is counted as a state for purposes of this report.)

FinCEN's ongoing work directly supports criminal investigations and prosecutions, including in connection with the Financial Fraud Enforcement Task Force and recently the Residential Mortgage-Backed Securities Working Group. President Obama created the Financial Fraud Enforcement Task Force by executive order in November 2009 to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. 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 Financial Fraud Enforcement Task Force at www.stopfraud.gov.

**Editors:** Please note that this report includes a more complete list of per capita rankings of states, counties, and metropolitan areas based on the number of subjects mentioned in MLF SARs.

Director Freis discussed additional details of FinCEN's activities fighting mortgage loan fraud in his speech today to the Mortgage Bankers Association's National Fraud Issues Conference in Phoenix, Arizona.

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