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

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Mortgage Fraud Suspicious Activity Reports Rise
7 Percent Increase in the First Half of 2010

VIENNA, Va. – The Financial Crimes Enforcement Network (FinCEN) today released two mortgage fraud reports entitled *Mortgage Loan Fraud SAR Filings*, which together cover the first six months of 2010; one report covers **January through March 2010**, and the other covers **April through June 2010**.

Taken together the reports show that suspicious activity reports (SARs) indicating mortgage loan fraud (MLF) climbed 7 percent, rising to 35,135 in the first half of 2010 compared with 32,926 in the first half of 2009. In part, the increase can be attributed to increased attention to older loans spurred by repurchase demands. In the first quarter of 2010, 78 percent of reported activities occurred more than two years prior to filing, compared with 44 percent in the same period of 2009, showing a continued focus on loans originated from 2006 to 2008.

"SARs are one of the most important sources of lead information for mortgage fraud investigations available to law enforcement," said FinCEN Director James H. Freis, Jr. "As a member of the President's Financial Fraud Enforcement Task Force, FinCEN remains active with law enforcement and other partner agencies in the task force to provide lead information and to identify potential abuses in order to combat mortgage loan fraud."

Other key findings of FinCEN's latest reports include:

- References to bankruptcy in SARs have steadily increased, rising to 7 percent of MLF SAR filings in 2010, compared to 1 percent in 2006 and 2007.
- SAR reports referencing "short sale" and "broker price opinion" appeared 827 times and 41 times in SARs respectively during the first quarter of 2010. Short sales and broker price opinions mentioned in SARs are sometimes associated with a particular type of flipping scheme known as "flopping." 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.

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