



Financial Crimes Enforcement Network

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FinCEN Analysis: Foreclosure Rescue Scam Reports Increase Nature of Foreclosure Rescue Scams Shifts

VIENNA, Va. – The Financial Crimes Enforcement Network (FinCEN) today released its first analysis of suspicious activity reports (SARs) containing information about potential foreclosure rescue scams. The report, [*Loan Modification and Foreclosure Rescue Scams – Evolving Trends and Patterns in Bank Secrecy Act Reporting*](#), involved an analysis of more than 3,500 SARs filed from 2004 through 2009, of which the great majority, 3,000, were filed last year. Additionally, FinCEN today also provided [*updated guidance*](#) to the financial industry concerning new scam techniques that financial professionals should watch for and report.

“The increase in reporting of suspected foreclosure rescue scam activity could mean that there is an increase in fraudulent activity but it also reflects an increase in awareness among financial institutions of the fraud perpetrated,” said FinCEN Director James H. Freis, Jr. “This report emphasizes the importance of including the specific term ‘foreclosure rescue scam’ in the SAR narrative to enable law enforcement to search for and identify fraudulent activity more easily when reviewing SAR information, which assists in focusing investigative resources and ultimately reducing these scams.”

In addition to the increase in reported activity, the analysis shows that the nature of foreclosure rescue scams had shifted during the period examined in the study. Early SARs containing information about loan modification/foreclosure rescue scams identified subjects purporting to be loan modification or foreclosure rescue specialists. These subjects targeted financially troubled homeowners with promises of assistance. The scams involved the homeowners signing quit claim deeds, and resulted in loss of equity in or title to their property. The scammers used straw borrowers, who misrepresented income, employment, or occupancy, or provided other fraudulent information to deceive a new lender into making a new mortgage loan.

The scams described in later SARs and analyzed in this report, reflect an evolution into advance fee schemes, in which purported loan modification or foreclosure rescue specialists promised to arrange modification of a homeowner’s mortgage for more favorable repayment terms. Following receipt of large advance fees, scammers rarely, if ever, provided any service. A

variation of the advance fee scam involved phony debt elimination programs in which the homeowners paid advance fees and were given bogus documents, or were instructed to contact their lenders with specious assertions that the original mortgage debt was illegal.

The top ten metropolitan regions, ranked by the concentration of local subjects of all mortgage loan fraud SARs reported between January 1, 2009 and June 10, 2010, are as follows:

Location	Subjects	Rank
Miami-Fort Lauderdale-Pompano Beach, FL	5,029	1
Los Angeles-Long Beach-Santa Ana, CA	4,839	2
New York-Northern New Jersey-Long Island, NY-NJ-PA	3,447	3
Chicago-Naperville-Joliet, IL-IN-WI	2,973	4
Washington-Arlington-Alexandria, DC-VA-MD-WV	1,848	5
Riverside-San Bernardino-Ontario, CA	1,791	6
Phoenix-Mesa-Scottsdale, AZ	1,674	7
Atlanta-Sandy Springs-Marietta, GA	1,667	8
San Francisco-Oakland-Fremont, CA	1,364	9
Orlando-Kissimmee, FL	1,326	10

Due to its national and international networking and coordination mission, FinCEN is actively involved with a number of initiatives that focus on combating mortgage fraud and ensure that financial institutions are not used as conduits for illicit activity. Among its initiatives is an April 2009 FinCEN advisory, updated today, to provide indicators, or red flags, of loan modification and foreclosure rescue fraud, and request that filers who become aware of this type of activity include the term “foreclosure rescue scam” in the SAR’s narrative section to assist law enforcement in identifying applicable reports.

Today’s report supports the efforts of the Financial Fraud Enforcement Task Force (FFETF), established by President Obama in November 2009 to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. Additionally, FinCEN efforts are being further developed as part of the FFETF anti-mortgage fraud initiative to provide not only information sharing based on SAR data, but also to support law enforcement investigations and prosecutions. FFETF is composed of representatives from a broad range of Federal agencies, regulatory authorities, inspectors general, and State and local law enforcement, and is the broadest coalition of law enforcement, investigatory and regulatory agencies ever assembled to combat fraud. FinCEN has been actively involved in these efforts, as Suspicious Activity Reports are one of the best sources of lead information for law enforcement in fighting financial crime.

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