Financial Crimes Enforcement Network
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SARs Regarding Foreclosure Rescue Scams Increase
Current market and growing awareness may be contributing factors

VIENNA, Va. – Suspicious activity reports (SARs) regarding foreclosure rescue scams continued to grow in the first half of 2012, even as the total number of SARs indicating mortgage loan fraud (MLF) declined, the Financial Crimes Enforcement Network (FinCEN) announced today in its latest Mortgage Loan Fraud Update. This update to FinCEN's prior MLF reports looks at SAR filings from April through June 2012 (2012 Q2).

Foreclosure rescue scams target homeowners facing foreclosure with services or advice promising to stop or delay the foreclosure process. These scams prey on the vulnerability of individuals who are in danger of losing their homes. Some of these scams require homeowners to transfer their home's title or make monthly mortgage payments to the purported "rescuer." Victims may lose thousands of dollars in fabricated fees, and risk losing their homes as well.

Financial institutions filed 2,360 foreclosure rescue related SARs in the first half of 2012. If this current pace continues, the total number of foreclosure rescue scam SARs for the calendar year will far exceed the total of 2,782 reported in 2011. In 2012 Q2, financial institutions submitted 17,476 *total* MLF SARs, a 41 percent decrease over 2011 Q2; 1,325 (8 percent) of these were related to foreclosure rescue.

Geographically, foreclosure rescue SAR subjects were disproportionately concentrated in California. This was consistent with FinCEN's past research on debt elimination scams, a type of foreclosure rescue scam, which indicated a large number of the California subjects. Foreclosure rescue SARs filed during this period also noted higher violation amounts as compared to typical MLF SARs.

A growing awareness of foreclosure rescue scams may be influencing this upward filing trend. FinCEN's June 2010 report on loan modification and foreclosure rescue scams provided valuable information and analysis. FinCEN's June 2010 advisory encouraged SAR filers to use "foreclosure rescue scam" in the narrative portion of the SAR, which facilitates the identification and isolation of pertinent SARs by FinCEN analysts and agencies with access to FinCEN's database. A number of well-publicized Federal investigations, enforcement actions, reports, bulletins, and guidance also likely increased public awareness and underscored the importance of preventing and reporting these scams.

Another factor driving the increase in foreclosure rescue related SARs may be real estate market conditions. Given some recent trends in the residential housing markets (e.g., underwater mortgages, lower turnover of existing homes, and less new home construction) there may be more opportunity for criminals to develop schemes related to existing mortgages in distress, as opposed to schemes related to new loan origination.

FinCEN recently closed a regulatory gap by issuing a final rule that requires non-bank residential mortgage lenders and originators to establish anti-money laundering programs and file SARs, as other financial institutions do. These SAR filings will augment the information available to law enforcement about suspicious activity in this sector. FinCEN's mortgage loan fraud reports and SAR statistics are available on the Mortgage and Real Estate Fraud section of FinCEN's Web site.

FinCEN's ongoing work directly supports criminal investigations and prosecutions, including in connection with the Financial Fraud Enforcement Task Force (FFETF). 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. Learn more about the FFETF at www.stopfraud.gov.

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