Mortgage Loan Fraud
Update

Suspicious Activity Report Filings
In 2nd Quarter 2012

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Introduction

This update to FinCEN's prior Mortgage Loan Fraud (MLF) studies looks at Suspicious Activity Report (SAR) filings from April through June 2012 (2012 Q2). It provides new information on reporting activities, geographic locations, and other filing trends in 2012 Q2. The update includes tables and illustrations of various geographies reported in 2012 Q2 based on dates that suspicious activities are reported to have begun. Tables covering non-geographic aspects are compared with filings from the corresponding period in 2011.

A section on Current Issues addresses the rise in reporting of "foreclosure rescue scams" in MLF SARs.

Overall Fillings

In 2012 Q2, filers submitted 17,476 Mortgage Loan Fraud SARs (MLF SARs),[1] a 41 percent decrease over the previous year.[2] The total number of all SARs filed in 2012 Q2 increased by 9 percent. Eight percent of all SARs filed in 2012 Q2 indicated MLF as an activity characterization, down from 15 percent in the year ago Q2.[3]

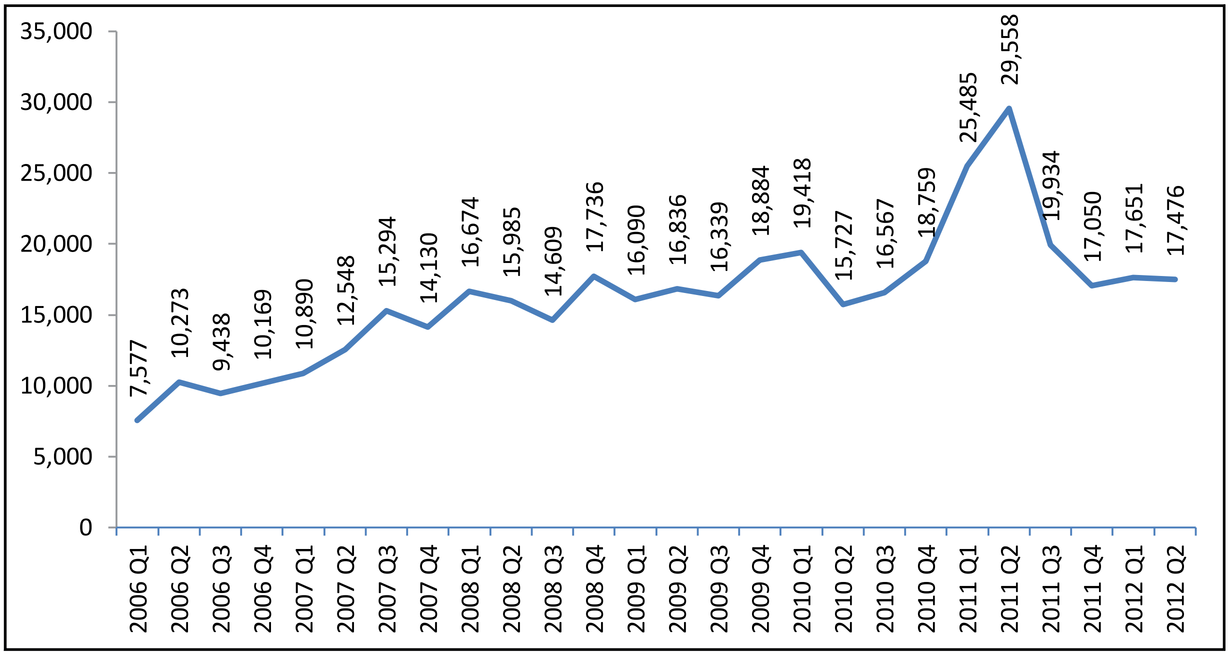
Table 1: Mortgage Loan Fraud SAR Filings Relative to All SAR Filings

	2012 Q2	*2011 Q2*	*% Change*
MLF SARs	17,476	29,558	-41%
All SARs	220,854	203,468	9%
MLF SARs as a proportion of all SARs	8%	15%	-46%

1. For purposes of this report, SARs and totals thereof refer only to the Suspicious Activity Report filed by depository institutions (TD F 90-22.47). Related activities reported on the Suspicious Activity Report by Money Services Business (FinCEN 109) and Suspicious Activity Report by Securities and Futures Industries (FinCEN 101) are not included in table or map totals. Percentages throughout this report are rounded to the nearest whole number. All MLF Q2 figures in this report exclude 51 voluntary filings on the new FinCEN SAR that FinCEN received from April 1, 2012 through June 30, 2012 where e- filers selected option 38z to indicate other mortgage fraud, and include 17 voluntary reports where e-filers selected options 38a, b, c, or d. For more information on the new FinCEN SAR report, see http://www.fincen.gov/whatsnew/html/20120329.htm.
2. An increase or decrease in filing is not necessarily indicative of an overall increase or decrease in mortgage loan fraud (MLF) activities over the noted period, as the volume of SAR filings in any given period does not directly correlate to the number or timing of suspected fraudulent incidents in that period. For further explanation, see FinCEN's July 2010 report, "*Mortgage Loan Fraud Update: Suspicious Activity Report Filings from October 1 – December 31, 2009*" at http://www.fincen.gov/pdf/MLF%20Update.pdf. The upward spike in 2011 MLF SAR counts was directly attributable to mortgage repurchase demands and special filings generated by several institutions.
3. MLF SARs have constituted 10 percent of all SARs filed since 2007 Q1. See "*Mortgage Loan Fraud Update*," published in *The SAR Activity Review - Trends, Tips & Issues*, Issue 16, October 2009 at http://www.fincen.gov/news_room/rp/files/sar_tti_16.pdf, page 5.

As Figure 1 illustrates, FinCEN reported an unusual spike in MLF SAR filings during 2011 Q1 through Q3, primarily due to mortgage repurchase demands on banks. Those repurchase demands prompted review of mortgage loan origination and refinancing documents, where filers discovered fraud, which was then reported on SARs.

Figure 1: Quarterly MLF Filings, Q1 2006 through Q2 2012



Time lapses between filing and activity dates in 2012 Q2 MLF SAR filings showed slightly less focus on dated activities than FinCEN has seen in recent quarters. In 2012 Q2, 78 percent of reported activities occurred more than two years prior to filing, and 73 percent occurred more than four years before filing. This compares to 87 percent and 63 percent, respectively, in 2011 Q2 (Table 2). However, during 2012 Q2, 56 percent of all filings also described activities starting five or more years before filing, compared to only 25 percent the previous year. This increase in very dated SARs could indicate that filers are still working through the backlog of bad loans originated in the 2006-2007 housing bubble.

During both 2012 and 2011 Q2, a majority of reported activities actually began during or before 2008.[4] In Table 2, these filing periods are highlighted in **bold** type.

Table 2: Mortgage Loan Fraud (MLF) SARs Time Elapsed from Activity Date to Reporting Date[5]		
Time Lapsed	***2012 Q2***	***2011 Q2***
0 - 90 days	12%	6%
90 - 180 days	4%	3%
180 days - 1 year	3%	2%
1 - 2 years	2%	2%
2 - 3 years	1%	3%
3 - 4 years	4%	**21%**
4 - 5 years	**17%**	**38%**
> 5 years	**56%**	**25%**

For both periods, more than 80 percent of MLF SARs involved *suspicious activity amounts* under $500,000. Filers disclosed *loss amounts* in only 14 percent of 2012 Q2 MLF SARs, up from 11 percent in 2011 Q2; most reported amounts were under $500,000. Consistent with previous years, a relatively small number of MLF SARs (42 filings) included recovered amounts in 2012 Q2.[6]

4. FinCEN has previously reported on contributing factors that triggered loan reviews and led to the discovery of more dated suspicious activities. See *Mortgage Loan Fraud Update: Suspicious Activity Report Filings from October 1 – December 31, 2010.*

5. Calculations for Table 2 derive from Part III, Field 33 and Part IV, Field 50 of the depository institution SAR form. Table 2 totals are based on commencement dates. SARs with omitted or erroneous filing and activity dates are not represented. While Field 33 allows filers to specify both a commencement date and an end date of suspicious activities, filers did not report an end date in 5 percent of 2012 Q2 MLF SARs. In previous periods, much fewer SARs included this information; hence, totals relying on activity end dates are significantly less comprehensive than those based on start dates. Further, for MLF SARs reporting multiyear activities, filers frequently relate activities involving older loans that the institution continues to hold. In numerous other reports, filers related older suspected frauds that the filer detected when the same borrower applied for a more recent loan with conflicting information on the loan application, hence their inclusion of more recent activity end dates. For these reasons, calculations herein use the activity start date rather than the activity end date.

6. Due to the low number of MLF SARs citing recovered amounts, this data is not included in Table 3. Percentages under 1% are omitted or indicated with a hyphen in this report.

Table 3: Mortgage Loan Fraud (MLF) SARs Reported Amounts[7] of: (1) Suspicious Activity and (2) Loss Prior to Recovery								
		< $100K	*$100K - $250K*	*$250K - $500K*	*$500K - $1M*	*$1M - $2M*	*> $2M*	*Not indicated*
(1) SARs reporting **suspicious activity amounts**	2012 Q1	2,272 13%	5,880 34%	6,167 35%	2,199 13%	620 4%	329 2%	2 -
	2011 Q1	3,932 13%	10,144 34%	10,469 35%	3,671 12%	738 2%	498 2%	106 -
(2) SARs reporting **loss amounts**	2012 Q1	1,067 6%	900 5%	411 2%	96 1%	50 -	7 -	14,938 86%
	2011 Q1	1,460 5%	1,128 4%	607 2%	127 -	51 -	28 -	26,157 88%

7. The amount of suspicious activity, loss prior to recovery, and recovery are reported in Part III of the SAR form, Fields 34, 36, and 37.

Subject Locations

Tables 4 through 6 rank states, metropolitan areas, and counties based on the number of subjects in 2012 Q2 MLF SARs with suspicious activity dates starting after January 1, 2010. The lists also show rankings based on numbers of subjects per capita, to highlight areas where MLF activity is greater relative to the population size.

Expanded tables for additional state, MSA, and county locations are provided at http://www.fincen.gov/mlf_sar_data/ in Excel format with historical quarterly data from January 2006 forward. Ranking methodologies and other metadata are provided within these files.

By State

State File

California and Florida remained the highest ranked states based on the number of mortgage loan fraud subjects, followed by New York, Illinois, and Texas.[8]

Based on per capita rankings, California and Nevada remained the top ranked states, as they were in Q1 2012 and as California was in CY 2011. Florida's 3rd place ranking was consistent with its showings between 2nd and 5th in the 2011 quarterly reports. Arizona and Colorado rounded out the top five per capita rankings. Colorado jumped into 5th from rankings in the 13th through 23rd range during 2011. Arizona, which had ranked 11th in 2011 Q1, maintained the 4th ranking it established during 2012 Q1.

Table 4: Mortgage Loan Fraud SAR Subjects
Top 20 States and Territories

State	2012 Q2 Rank by volume	2012 Q2 State Rank per capita		State	2012 Q2 Rank by volume	2012 Q2 State Rank per capita
CA	1	1		UT	21	11
NV	16	2		NJ	8	12
FL	2	3		DC	40	13
AZ	7	4		WA	12	14
CO	14	5		DE	38	15
MD	10	6		MI	9	16
NM	25	7		ID	32	17
NY	3	8		HI	35	18
IL	4	9		SC	23	19
GA	6	10		NC	13	20

8. Although Texas ranked in the top five states based on the number of mortgage loan fraud subjects, Texas does not appear in the top 20 states and territories based on per capita rankings.

By Metropolitan Statistical Area

MSA File

During 2012 Q2, Los Angeles ranked highest among the 50 most populous metropolitan areas, based on volume of reported mortgage fraud subjects, followed by New York, Chicago, Riverside, and Miami.

Per capita, California cities held the top four ranks for 2012 Q2 SARs. The top three rankings were consistent with 2012 Q1; Los Angeles 1st, Riverside 2nd, and San Jose 3rd. Sacramento and Las Vegas rounded out the top five metropolitan area hot spots this quarter, with Sacramento jumping from 8th the previous quarter. Two other California cities, San Diego and San Francisco, were also in the top ten rankings.

Table 5: Mortgage Loan Fraud SAR Subjects
Top 20 Metropolitan Statistical Areas (MSAs)

MSA	2012 Q2 Rank by volume	2012 Q2 Rank per capita		MSA	2012 Q2 Rank by volume	2012 Q2 Rank per capita
Los Angeles-Long Beach-Santa Ana, CA	1	1		Miami-Fort Lauderdale-Pompano Beach, FL	5	11
Riverside-San Bernardino-Ontario, CA	4	2		Atlanta-Sandy Springs-Marietta, GA	7	12
San Jose-Sunnyvale-Santa Clara, CA	12	3		New York-Northern New Jersey-Long Island, NY-NJ-PA	2	13
Sacramento--Arden-Arcade--Roseville, CA	11	4		Tampa-St. Petersburg-Clearwater, FL	19	14
Las Vegas-Paradise, NV	14	5		Chicago-Naperville-Joliet, IL-IN-WI	3	15
San Diego-Carlsbad-San Marcos, CA	9	6		Seattle-Tacoma-Bellevue, WA	16	16
San Francisco-Oakland-Fremont, CA	6	7		Salt Lake City, UT	36	17
Orlando-Kissimmee, FL	15	8		Washington-Arlington-Alexandria, DC-VA-MD-WV	10	18
Phoenix-Mesa-Scottsdale, AZ	8	9		Memphis, TN-MS-AR	33	19
Jacksonville, FL	23	10		Detroit-Warren-Livonia, MI	13	20

By County

County File

In terms of total mortgage loan fraud SAR subjects, Los Angeles remained the top ranked county in the nation, as it has been for years. Orange, CA remained in 2nd position and Cook, IL[9] tied with Maricopa, AZ for 3rd.

California counties dominated the rankings in terms of SAR subjects per capita, which are calculated for the 100 most populous U.S. counties. Seven California counties appeared in the top ten rankings. One California County, San Joaquin, ranked 9th, experienced a significant jump from past rankings, which were between 32nd and 56th last year. For the third time since 2011, San Mateo County broke into the top ten county rankings. Rounding out the top five rankings, Gwinnett County, GA moved to 2nd, up from 3rd last quarter.

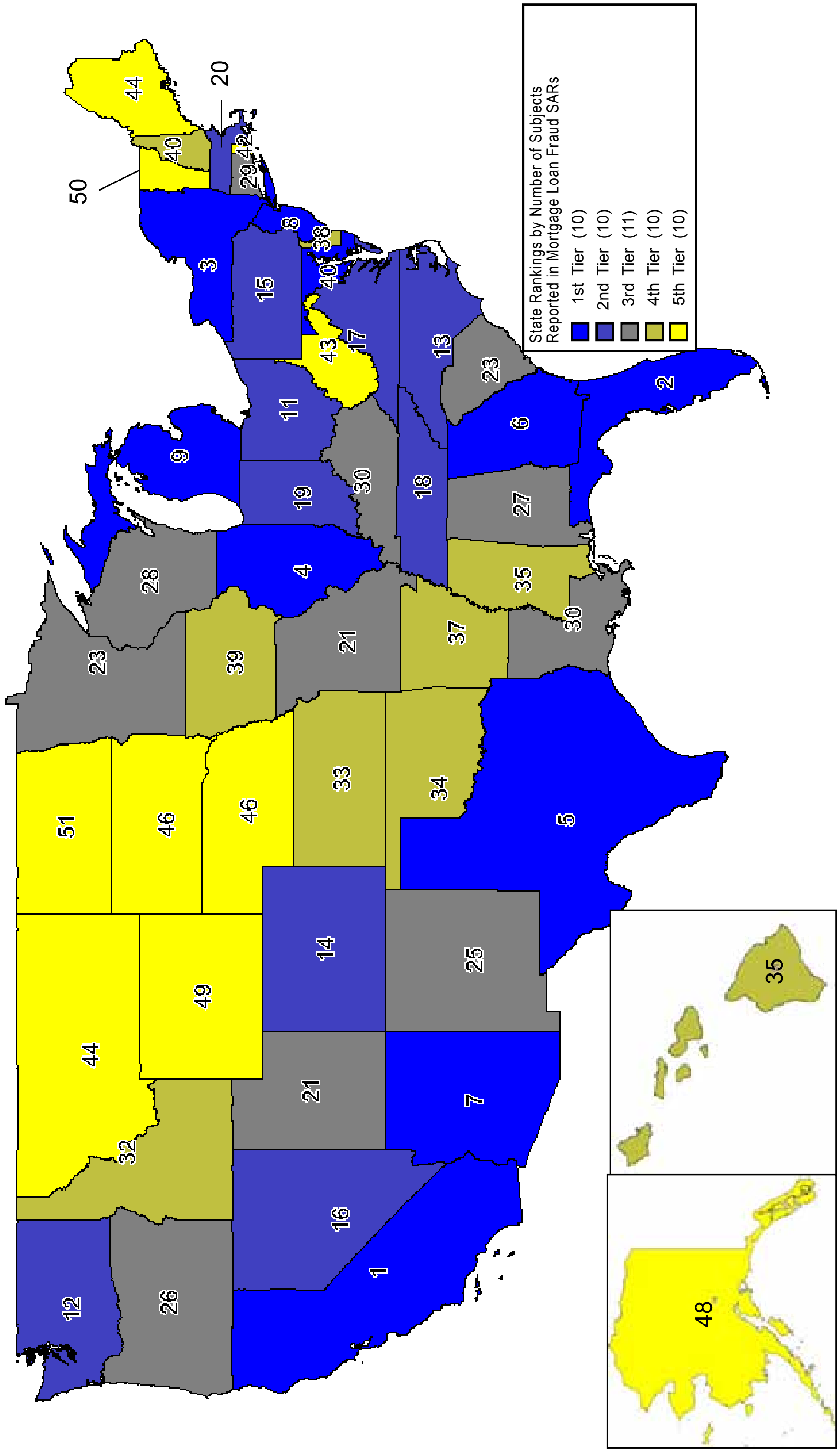
Table 6: Mortgage Loan Fraud SAR Subjects
Top 20 Counties

County	State	2012 Q2 Rank by volume	2012 Q2 Rank per capita		County	State	2012 Q2 Rank by volume	2012 Q2 Rank per capita
Orange	California	2	1		Orange	Florida	18	11
Gwinnett	Georgia	19	2		Clark	Nevada	10	12
Riverside	California	5	3		Sacramento	California	14	13
Los Angeles	California	1	4		Alameda	California	13	14
Santa Clara	California	9	5		Contra Costa	California	21	15
Kings	New York	7	6		Duval	Florida	23	16
San Bernardino	California	8	7		Maricopa	Arizona	3	17
DeKalb	Georgia	25	8		San Diego	California	6	18
San Joaquin	California	28	9		Nassau	New York	20	19
San Mateo	California	25	10		Queens	New York	12	20

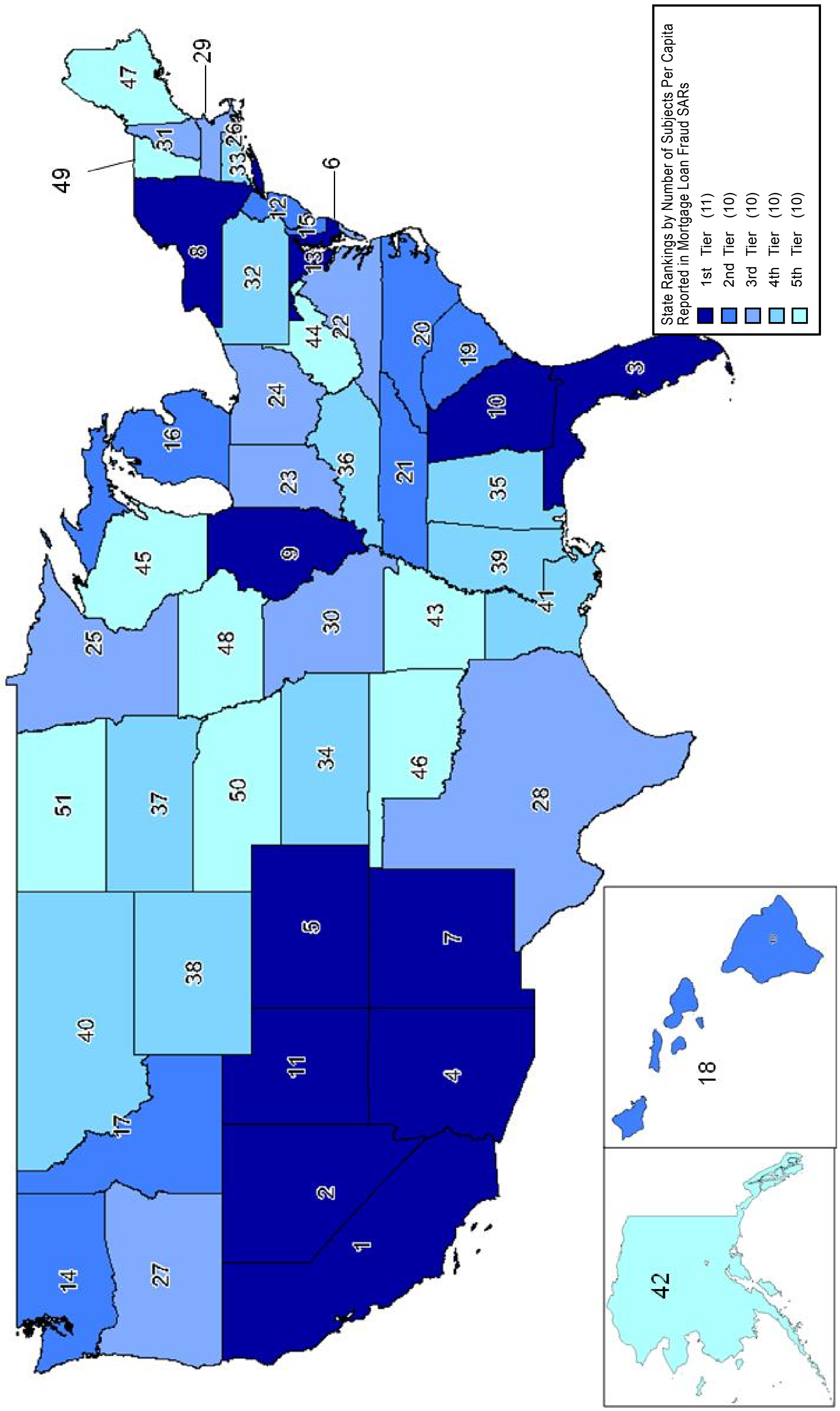
The following maps show mortgage fraud geographic concentrations reported in 2012 Q2 for activities occurring during the previous two calendar years (i.e., 2010 Q1 –2012 Q2). Maps show subjects by state and metropolitan area, with concentrations based on numeric and per capita subject totals.

9. Although Cook, IL ranked in the top five counties for total mortgage loan fraud SAR subjects, it was not ranked in the top 20 counties in terms of SAR subjects per capita.

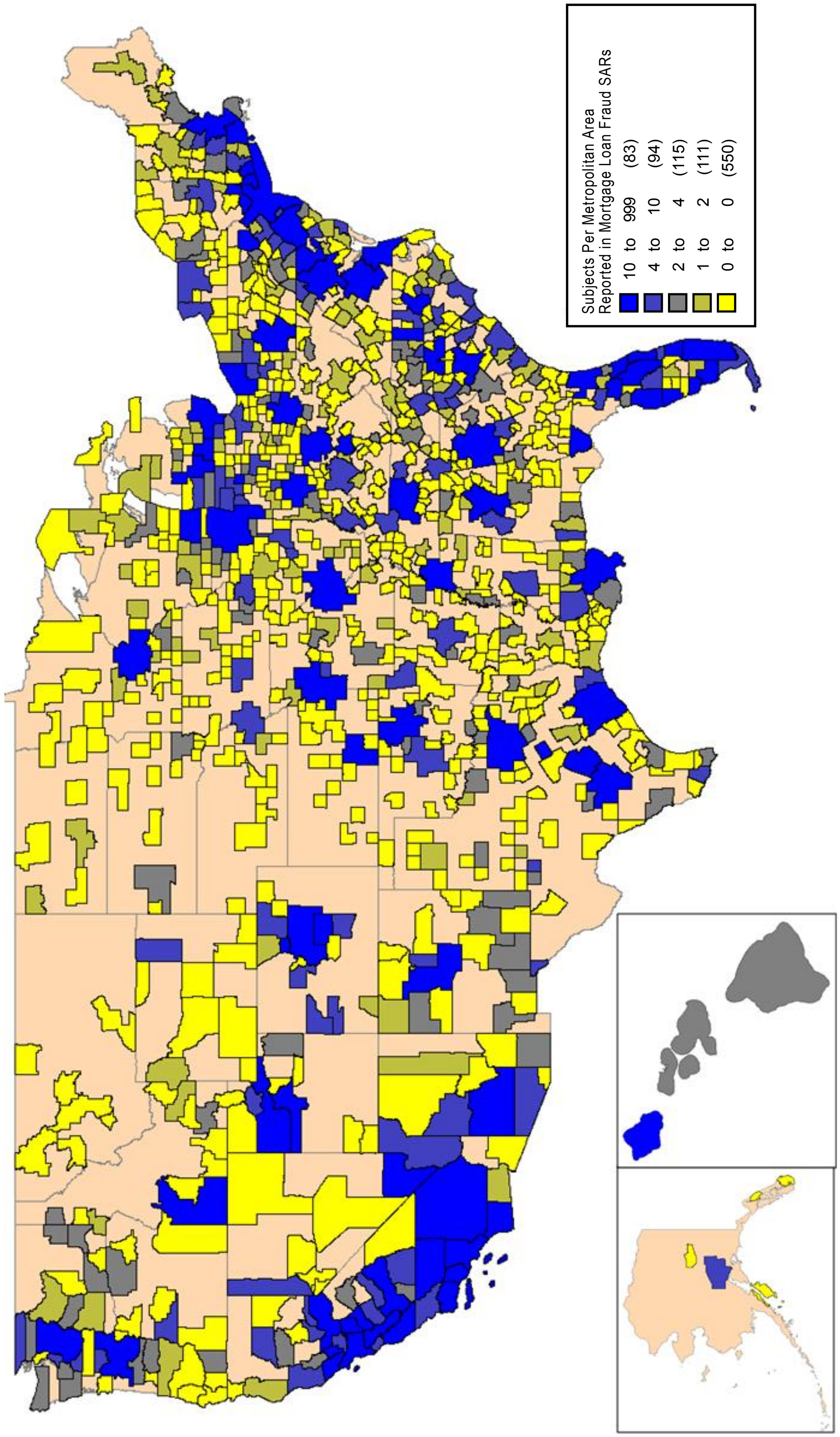
Mortgage Loan Fraud SAR Subjects
State Location Ranks, April — June, 2012



Mortgage Loan Fraud SAR Subjects Per Capita
State Location Ranks, April — June, 2012



Mortgage Loan Fraud SAR Subjects
Top Metropolitan Areas, April — June, 2012



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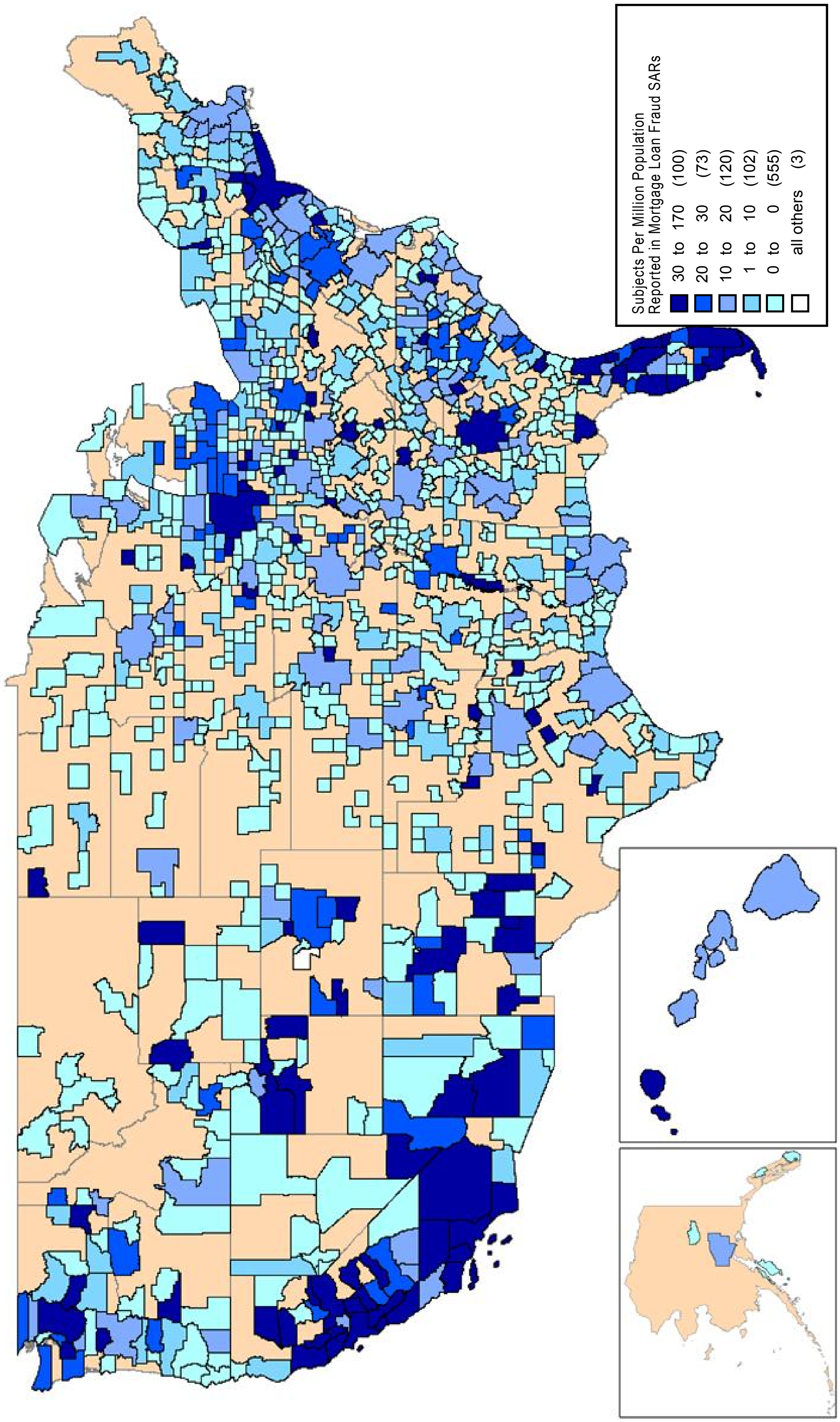
Mortgage Loan Fraud SAR Subjects Per Capita
Top Metropolitan Areas, April — June, 2012



Current Issues

Reporting on Foreclosure Rescue Scams on the Rise

This section of the report focuses on SARs involving "foreclosure rescue" scams and similar schemes targeting homeowners facing foreclosure or default on their mortgages.[10] During 2012 Q2, FinCEN received 1,325 MLF SARs containing the term "foreclosure rescue" in the narrative part of the form, or eight percent of the total 17,476 MLF SAR reports it received during the quarter. Foreclosure rescue SAR filings continued to grow in the first half of 2012, even as the total number of MLF SARs declined (see Figure 1 - Quarterly MLF Filings, Q1 2006 through Q2 2012).

If the current pace of foreclosure rescue SAR reporting continues through 2012 Q3 and Q4, the total for 2012 will far exceed the total for 2011. (Figure 2 below depicts the number of MLF SAR filings each year containing the term "foreclosure rescue" in the narrative; the 4,720 SARs filed in 2012 is an estimate based on the 2,360 SARs received in the first half of 2012.)

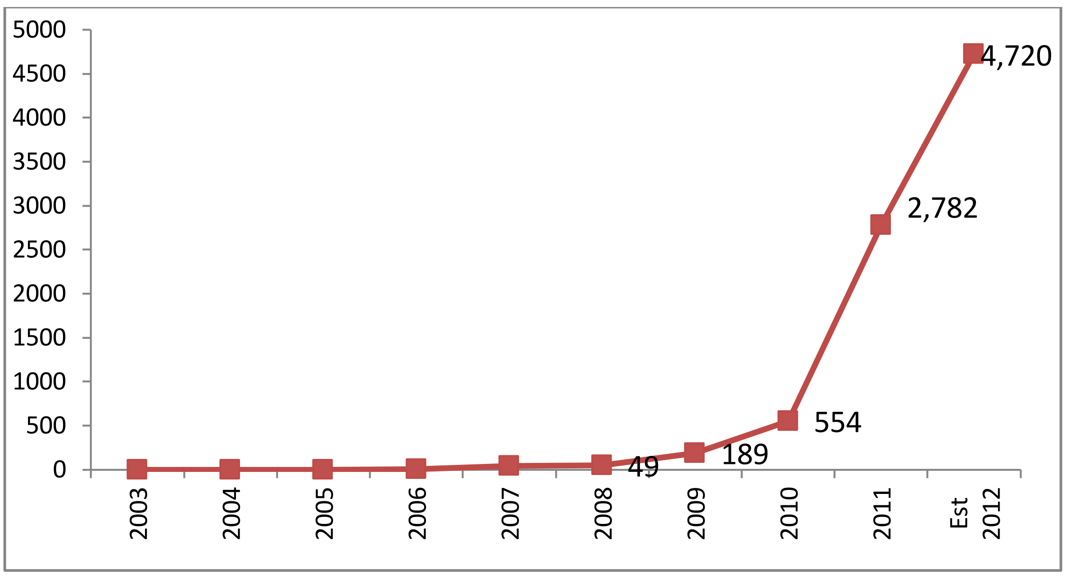
A number of factors may be influencing this upward SAR filing trend. FinCEN's June 2010 advisory[11] and report[12] on loan modification and foreclosure rescue scams provided industry and our law enforcement and regulatory agency partners with valuable information and analysis on the topic. Reports, bulletins, and guidance by the Departments of Treasury, Justice, and Housing and Urban Development[13] also likely increased awareness of the scams. A number of well-publicized government investigations and enforcement actions underscored the importance of preventing and reporting these scams.[14]

10. Foreclosure rescue scams target homeowners facing foreclosure with services or advice to purportedly stop or delay the foreclosure process. Some of these scams require homeowners to transfer title or make monthly mortgage payments to the purported "rescuer." Some foreclosure rescue scams require homeowners to pay fees before receiving services, which are known as "advance fee" schemes.
11. For advisory, please see http://www.fincen.gov/statutes_regs/guidance/html/fin-2010-a006.html.
12. For report, please see http://www.fincen.gov/news_room/rp/files/MLFLoanMODForeclosure.pdf.
13. For a sample of these announcements, please see http://www.treasury.gov/press-center/press-releases/Pages/tg83.aspx, http://www.justice.gov/ag/speeches/2009/ag-speech-090406.html, and http://www.hud.gov/news/speeches/2009-04-06.cfm.
14. Please see the follow links for detail on foreclosure rescue prosecutions: http://www.justice.gov/opa/pr/2011/December/11-civ-1603.html, http://www.fbi.gov/phoenix/press-releases/2011/phoenix-man-pleads-guilty-to-defrauding-1-800-victims-in-foreclosure-rescue-scam, http://www.sigtarp.gov/Press%20Releases/Timelender_Gladle_Charge_Press_Release.pdf.

Another factor driving the increase in foreclosure rescue related SARs may be the real estate market itself. 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 simply be more opportunity for fraudsters to develop schemes related to existing mortgages in distress, as opposed to schemes related to new loan origination.

Foreclosure rescue SAR filings continue to be tracked closely by Federal and state law enforcement and regulatory agencies, as these SARs provide insight into crime trends, as well as leads for the initiation and support of investigations and enforcement efforts. Foreclosure rescue and similar schemes were a key focus of recent mortgage fraud summits held by the Financial Fraud Enforcement Task Force (FFETF) in which FinCEN actively participated.[15]

Figure 2 - Number of MLF SAR Narratives Addressing Foreclosure Rescue Scams, 2003-2012 Projected



By encouraging SAR filers to use one common term, "foreclosure rescue scam," in the narrative portion of the SAR form, FinCEN's advisories and reports facilitated the identification and isolation of pertinent SARs by FinCEN analysts and agencies with access to FinCEN's database of SARs and other FinCEN filings. SARs that included these key search terms also assisted with the identification of SARs on loan modification and advance fee scams, two other types of suspicious activity addressed in FinCEN's analytical reports and guidance. FinCEN analysts also searched SAR narratives for the

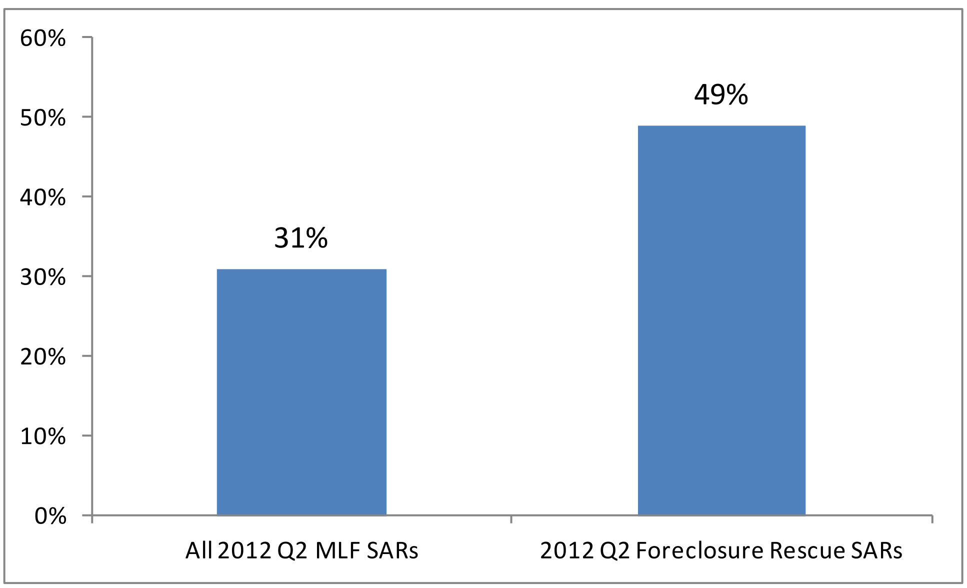
15. For press release, please see http://www.justice.gov/opa/pr/2012/June/12-ag-812.html.

terms "loan modification scam" and "advance fee." Those analysts found immaterial numbers of MLF filings using either the term "loan modification scam" or "advance fee" both before and after issuance of the FinCEN advisories and reports.

Statistics on 2012 Q2 Foreclosure Rescue SARs

Statistics below compare 2012 Q2 foreclosure rescue SARs to all MLF SARs received during 2012 Q2 on two variables where FinCEN observed clear differences, geography and suspicious activity amount. In terms of geography, foreclosure rescue SAR subjects were disproportionately concentrated in California. While 12 percent of the U.S. population resides in California, and the geographic analysis on page 7 indicates California was the number one state per capita for mortgage fraud again in 2012 Q2, the foreclosure rescue figures stood out even against this backdrop. As Figure 3 illustrates, 49 percent of the 2012 Q2 subjects in foreclosure rescue SARs resided in California, while 37 percent of all 2012 Q2 MLF SAR subjects had a California address. This was consistent with FinCEN's past research on debt elimination scams,[16] a type of foreclosure rescue scam, in which a disproportionate number of the subjects were also located in California.[17]

Figure 3 – Percentage of 2012 Q2 MLF SAR Subjects Located in California

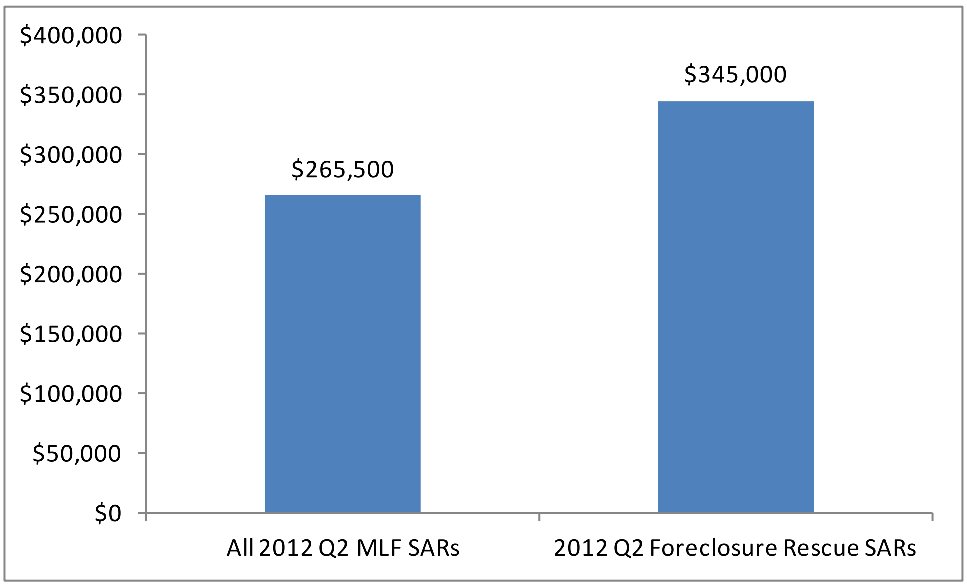


16. Debt elimination schemes involve the use or purported use of bogus documents and payment methods to invalidate mortgage obligations or pay off mortgage balances. Individuals orchestrating debt elimination schemes typically charge borrowers fees for debt elimination services. See FinCEN's April 2012 report, "*Mortgage Loan Fraud Update: Suspicious Activity Report Filings in 4th Quarter and Calendar Year 2011*" at http://www.fincen.gov/news_room/rp/files/MLF_Update_Q4_2011_508.pdf.

17. Please see http://fincen.gov/news_room/rp/files/MLF_Update_3rd_Qtly_10_FINAL.pdf, page 25, for details.

Foreclosure rescue SARs also stood out from the typical MLF SAR filed during 2012 Q2 because of higher suspicious activity amounts. Figure 4 illustrates the median (midpoint) of suspicious activity amounts in all 2012 Q2 MLF SARs compared to that of foreclosure rescue related SARs. The median amount was significantly higher for foreclosure rescue related SARs, at $345,000, compared to $265,500 for all Q2 MLF SARs. Similarly, the percentage of reports with suspicious activity amounts above $2 million was greater for the foreclosure rescue SARs, at eight percent, compared to six percent of all 2012 Q2 MLF SARs with suspicious activity amounts over $1 million.

Figure 4 – Median Suspicious Activity Amount of 2012 Q2 MLF SARs



In future reports, FinCEN may provide additional information and analysis on foreclosure rescue SAR filing trends. FinCEN will continue to monitor SARs and report on new trends in mortgage fraud and associated types of suspicious activity.

FinCEN encourages readers to respond with reactions and comments to this report. Please provide FinCEN with any feedback regarding the contents of this report by contacting Webmaster@fincen.gov. Please mention "MLF 2012 Q2 report" in your email.

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